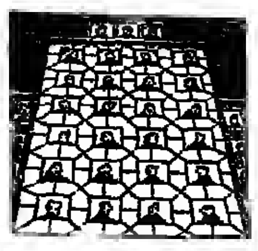
FINANCIAL TIMES



Intranets
Open route to big productivity gains
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Stockpile mystery unnerves producers
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World Business Newspaper http://www.FT.com THURSDAY OCTOBER 31 1996

Italian telecoms sell-off may face further delay

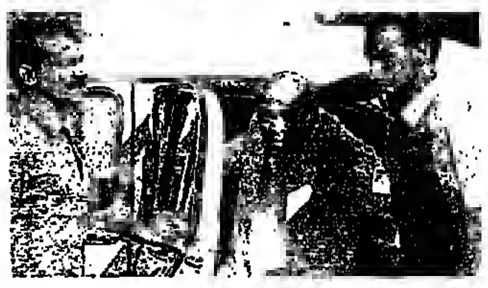
Privatisation of Stet, Italy's state-controlled telecoms holding company, looks almost certain to be delayed until late 1997 because of political wrangling over how to proceed with the sale. A further delay could damage Italy's relations with the European Commission, and upset international investors. Page 12

UK interest rates raised: UK interest rates were unexpectedly raised by a quarter-point to 6 per cent. Page 8; Editorial Comment, Page 11; Lex, Page 12; Government bonds, Page 20; Currencies, Page 21; London stocks, Page 28

Extra aid for beef farmers: EU farm ministers agreed to pay beef farmers extra aid of ECU500m ($635m), clearing the way for a deal on measures to cut beef production. Page 2

Swiss to join Nato programme: Switzerland said it would join Nato's Partnership for Peace programme, but stressed that the move did not jeopardise the country's neutrality nor signal its intention to join the westeco military alliance. Page 2

Rao faces further indictment



Former Indian prime minister P.V. Narasimha Rao, 76, was indicted for alleged complicity in a vote-buying affair hours after arriving at court in Delhi (above) to face separate charges of criminal forgery. Mr Rao must also appear before a third Delhi court next week to answer charges in a swindling case. He has protested his innocence in all three cases. Page 5; Indian tobacco company hit by arrests, Page 12

US economic growth slips: US consumer spending stalled in the third quarter, prompting a sharp reduction in economic growth, official figures show. The economy expanded at an annualised rate of 2.2 per cent, less than half the rate of the second quarter. Page 6

Israeli budget backed: Israeli prime minister Benjamin Netanyahu secured enough support from his conservative Likud-led coalition for his controversial budget package to pass its first reading in parliament. Page 4

Algerian gas link to Spain opens: Natural gas starts flowing tomorrow into Spanish homes through a 1,400km pipeline from the Algerian Sahara, completing a $2.3bn link that will eventually take supplies to other European markets. Page 4

Profits fall at SCA: Swedish forestry group SCA reported a 41 per cent slide in nine-month profits, warning that recovery in the pulp and paper industry was being held back by uncertainty over prices. Page 13

Iran seeks to join WTO: Iran has applied to join the World Trade Organisation, but fears opposition from conservative merchants and Islamic hardliners. Page 4

Proton plans expansion for Lotus: Malaysian vehicle producer Proton outlined a programme of rapid expansion for UK sports car maker Lotus as it announced it was paying £51m ($81.7m) for a majority stake in the company. Page 13

World Service may face £40m shortfall: The BBC World Service could face a funding gap of up to £40m ($64m) in five years, John Birt, the corporation's director-general, said. Page 8

CORRECTION

Tiny Rowland

In yesterday's Financial Times we wrongly reported that Mr Tiny Rowland, founder of the Lonrho conglomerate, was once judged by a British government investigation panel unfit to preside over a public company. We unreservedly apologise for any embarrassment caused to Mr Rowland.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,006.65	(-0.37)
NASDAQ Composite	1,205.09	(+2.04)
Europe and Far East		
CAC40	2,124.76	(-0.98)
DAX	2,678.73	(+5.11)
FTSE 100	3,963.9	(-29.6)
Nikkei	20,681.67	(-276.41)

US LUNCHTIME RATES

Federal Funds	5⅜%
3-mth Treas Bills Yld	5.124%
Long Bond	100⅜
Yield	6.703%

OTHER RATES

UK: 3-mo Interbank	6⅜%	(5⅞%)
UK: 10 yr Gilt	99⅜	(99⅜)
France: 10 yr OAT	103.7	(103.76)
Germany: 10 yr Bund	101.61	(101.68)
Japan: 10 yr JGB	103.317	(102.495)

NORTH SEA OIL (Argus)

Brent Dated	$23.165	(23.27)

GOLD

New York Comex		
(Dec)	$381.3	(381.6)
London:		
close	$380.2	(381.5)

DOLLAR

New York: lunchtime		
£	1.6317	
DM	1.51175	
FFr	5.0978	
SFr	1.255	
Y	113.9	
London:		
£	1.6324	(1.6101)
DM	1.5073	(1.5103)
FFr	5.0916	(5.1075)
SFr	1.2494	(1.2555)
Y	113.88	(114.1)
Tokyo close:	Y 114.15	

STERLING

DM	2.4604	(2.4316)

Campaign donor given senior role ■ Call to sack Yeltsin aide

Protest over new Kremlin man

By Andrew Gowers and Chrystia Freeland in Moscow

Fierce protests erupted yesterday among Russian politicians after the appointment to a top Kremlin post of a controversial businessman who played a central role in funding President Boris Yeltsin's re-election campaign this summer.

The appointment of Mr Boris Berezovsky as deputy secretary of the National Security Council provoked widespread charges that the Russian government had fallen captive to a group of unelected bankers and businessmen. Mr Berezovsky runs a commercial empire which includes a bank, important media interests and a network of car dealerships.

The controversy will be further fuelled by Mr Berezovsky's confirmation yesterday that he belongs to a group of six leading bankers and businessmen who provided some $3m in funding for Mr Yeltsin's campaign.

Another member of the group, Mr Vladimir Potanin, the former head of Oneximbank, was named first deputy prime minister in charge of the economy after the election.

Critics claim representatives of commercial interests have stepped into the vacuum created by Mr Yeltsin's illness – which has kept the president largely out of action for the past four months – and that their companies are benefiting from tax breaks and other special privileges.

The Communist party, the largest faction in the Russian parliament, called on Mr Yeltsin to sack Mr Anatoly Chubais, the chief of the presidential staff who masterminded the president's campaign and was said to be behind Mr Berezovsky's appointment.

Mr Gennady Zyuganov, the Communist leader defeated by Mr Yeltsin, said Mr Chubais had achieved undue influence during the president's illness.

His claim was backed by Mr Crigory Yavlinsky, leader of the liberal Yabloko party, who said "such appointments discredit presidential power and the authorities in general".

Kremlin officials rejected the criticism, citing Mr Berezovsky's academic background as a qualification for the post.

In an interview with the Financial Times, Mr Berezovsky talked openly of his role in the election campaign. He said he had agreed with a group of other businessmen last spring that Russia's growing private sector faced a "death danger" from a possible Communist defeat of Mr Yeltsin.

A 10-member campaign team was established – including Ms Tatiana Dyachenko, Mr Yeltsin's daughter – and Mr Chubais was asked by the business group to head it.

Mr Berezovsky agreed he was a controversial figure, but attributed this to his reputation for plain-speaking and his views on issues such as privatisation.

Of Mr Chubais, he said: "I think he takes so much power because there is free space. At the same time, he is a person who really represents the new Russia."

The security council's responsibilities are ill-defined, but it hit the headlines during the summer after the appointment at its head of Mr Alexander Lebed, the presidential contender and sometime Yeltsin ally.

Wealthy clique, Page 2

A protester buries his head after hearing Chinese dissident Wang Dan had been jailed yesterday for 11 years by a Beijing court. Demonstrators gathered at China's de facto embassy in Hong Kong to protest against the sentence. Report, Page 12; Year-end convertibility, Page 5 Picture: AP

Single market 'has created nearly 1m jobs'

By Emma Tucker in Brussels

The European single market has boosted growth, created nearly a million jobs, raised investment and reined back inflation, according to the most comprehensive study of the barrier-free market carried out to date.

But the effects would have been even greater if the 15 European Union member states had been more diligent about obeying single market rules, Mr Mario Monti, the single market commissioner, said yesterday.

According to 38 economic surveys carried out over the past two years, the 1992 supply-side revolution that pulled down barriers to the free circulation of goods, services, capital and people, has created up to 900,000 more jobs than would have existed without it.

"For the first time there is objective confirmation that the single market is indeed serving as the launching pad for attaining higher levels of job creation and growth and for improving competitiveness," said Mr Monti.

The surveys show that the single market added 1.1-1.5 per cent to EU gross domestic product in 1994, while inflation rates were 1-1.5 per cent lower. Intra-EU manufacturing trade was up 20-30 per cent.

Industry and consumer groups are urging the European Commission to tackle the single market's missing links.

"The whole thing must be finished by January 1 1999," said Mr Zygmunt Tyszkiewicz, secretary-general of Unice, the European industry federation. "The single market is Europe's biggest project. Everything else is subsidiary, including monetary union."

Tha report confirms that the singla market's weak spots are in areas where national governments are unwilling to give up national sovereignty, such as taxation, company statutes and border controls.

The legal framework for lifting border controls on people

Continued on Page 12
No appetite to change, Page 11

LVMH set to take key stake in duty free store chain

By Richard Tomkins in New York and David Owen in Paris

LVMH, the French luxury goods group, yesterday said it had agreed conditionally to buy a majority stake in DFS, one of the world's biggest duty free shopping chains, for $2.47bn.

However, two DFS minority shareholders immediately filed legal action to block the deal.

The move would mark a dramatic extension of LVMH's retailing activities as well as increasing its exposure to fast growing Asian markets.

The company had hoped to buy the whole of DFS for $4.2bn, but it only managed to settle terms with two of the four shareholders in the privately owned group, Mr Charles Feeney and Mr Alan Parker, and has agreed to buy their 58.75 per cent stake for $2.47bn.

Mr Robert Miller, a flamboyant billionaire who owns 38.75 per cent of DFS, and Mr Anthony Pilaro, a tax lawyer who owns the remaining 2.5 per cent, originally made their own offer to buy out their partners. When they lost to LVMH, they took legal action in an attempt to block it.

They say the proposed transaction breaches an agreement that any dispute between shareholders would be submitted to a "wise man" for resolution. They have filed papers in the New York County Supreme Court arguing that LVMH's control of DFS will inhibit the company's growth as it competes with and sells to DFS.

Mr Hartley Rogers, a Morgan Stanley managing director representing Mr Miller and Mr Pilaro, said: "We believe that the sale is in complete violation of the so-called wise man agreement, which is designed not to put shareholders in a position where other shareholders are also suppliers to the company."

Shares in LVMH – whose portfolio of brands includes

Continued on Page 12
Lex, Page 12

Kopper to stand down as Deutsche Bank chairman

By Andrew Fisher in Frankfurt

Deutsche Bank, Germany's biggest bank, yesterday said Mr Hilmar Kopper would step down as chairman next May, several years before tha bank's normal retirement age of 65. He is to be succeeded by Mr Rolf Breuer, a fellow director.

Analysts welcomed this as positive news for the bank. In the seven years in which Mr Kopper has been its senior executive, the bank has suffered in a series of scandals at leading German companies with which it has close links.

Mr Kopper, 61, is credited with efforts to raise the bank's profitability to levels closer to European rivals, while overseeing an expansion in international investment banking through its London arm, Deutsche Morgan Grenfell.

However, the image of both Mr Kopper and the bank was dented when in 1994 he used the word "peanuts" to describe the DM50m (£21m) trade debts in the Jürgen Schneider property collapse in relation to the company's total debts.

Deutsche was also embroiled in the near-bankruptcy of Metallgesellschaft, the industrial and trading concern which lost money on derivatives, and had to organise the costly rescue of Klöckner-Humboldt-Deutz, the engineering group.

The appointment of Mr Breuer, who is responsible for asset management, indicates the bank will keep pursuing its rapid expansion in investment banking.

Mr Breuer is a proponent of increased equity-awareness in Germany and has been a driving force behind the development of the Frankfurt securities markets. However, he also backed the move of investment banking operations to London.

Deutsche Bank also said Mr Josef Ackermann, who resigned as chief executive of Credit Suisse this year after being passed over for a top group managemant post, would join its board.

Mr Kopper will retire from the management board after May's annual meeting. Although there has been discussion about his possible departure, analysts said he had been expected to stay for another two or three years.

However, he will have been on the board for 20 years when he departs and has often said this would be long enough. He became chairman after Alfred Herrhausen, his predecessor, was murdered by terrorists in November 1989.

By handing over to Mr Breuer, 58, Mr Kopper will give him the opportunity to head the bank for at least five years until the normal retiremeut age.

Analysts said Mr Breuer's combination of eloquence and forcefulness should help repair some of the damage done by the past scandals.

CONTENTS

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EU statisticians in revolt over Emu

France insists the way it is reducing its budget deficit meets Maastricht criteria. The Commission may agree. Some number crunchers beg to differ, writes Gillian Tett

European Union statisticians are set to make judgments in the coming week on one of the most politically sensitive issues of the year – whether France's effort to qualify for a single European currency are permissible.

But yesterday, one number cruncher could barely conceal his irritation. "We are not wanting to be pushed around by politicians," he muttered. "The credibility of statistics is at stake."

His comment hints at a broader power struggle taking place behind closed doors between some statisticians and politicians. It is a tussle which could undermine the credibility of the Emu process.

On one side of the dispute stand the French government and the European Commission. The latter has indicated that "at face value" the recent measures France has taken to reduce its budget are permissible.

These include a payment of FFr37.5bn ($7bn) arising from the partial privatisation of France Télécom, which will be used to reduce France's 1997 budget by about 0.5 percentage points of gross domestic product. This will bring it in line with the single currency criterion of 3 per cent of gross domestic product.

On the other side of the dispute stand statisticians from Germany, Britain and the Netherlands who argue that this contravenes European accounting standards.

The dispute has come as something of a shock to Europe's statistical world, which normally hates the limelight and controversy. Indeed, the focus for the wrangle – the Commission's advisory committee for monetary, financial and balance of payments statistics – has hitherto been ignored by non-statisticians.

But when the reclusive group met last Wednesday to consider the French budget plans, it plunged into dispute.

Some Commission officials pressed for rapid approval of the French move, before it publishes its half-yearly economic report next week. British, German and Dutch officials expressed opposition.

This partly reflects national interests: Germany wants a strict interpretation of the convergence criterion. But it is also evidence of genuine doubts about the French case, not least because privatisation payments are not usually allowed to reduce budget deficits.

Most small countries in the Union have remained silent on the issue. But some are also piqued by the French approach.

Belgium, for example, recently tried to use BFr20bn ($645m) of privatisation proceeds from the state telecommunications group, Belgacom, to reduce its budget deficit. The Commission ruled that this was unacceptable.

As one Belgian official says: "There seems to be one rule for large countries and another for small."

Each of the 15 EU central banks and statistical offices has now been asked to submit judgments to the Commission on the issue next week.

In theory, a majority view might then prevail. But some statisticians think a decision should be delayed until the committee meets again in January. For even if there is majority support for the French move, it will almost certainly not be unanimous.

The Commission could simply ignore the findings anyway. A spokesman for Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, yesterday stressed that it was Mr Yves Franchet, head of the Commission's statistical wing, Eurostat, who would decide the issue.

He also insisted that opposition came from a "minority" of countries, and added that "it would be desirable" if a decision emerged very soon.

However, if the Commission's decision appears driven too much by politics, this could anger many statisticians – not least because Eurostat and the European Monetary Institute take professional pride in the independence, and credibility, of their data.

As one Continental European statistician says: "We do not want all our attempts to build the credibility of data to be undermined."

The dispute has led to unease in the financial markets. The protests by some EU statisticians will leave a question mark over the Emu process for many months whatever the politicians announce in the coming week.

French government defends its position

By Andrew Jack in Paris

The French government yesterday launched a vigorous defence of its ability to reach the targets required to qualify to be among the first members of the proposed single European currency in 1999.

President Jacques Chirac told the French cabinet yesterday that both French and German obligations would be met to ensure the "calendar and conditions of the monetary union treaty" would be respected.

He was speaking after it emerged on Tuesday that statisticians advising the European Commission were divided over whether France should be allowed to use a one-off payment to the state from France Télécom towards reducing its 1997 budget deficit to 3 per cent of gross domestic product – one of the criteria for joining monetary union.

Also on Tuesday Germany's six leading economic research institutes raised doubts about that country's ability to meet the 3 per cent target.

Mr Jean Arthuis, France's economics and finance minister, said yesterday he had "no worries" about the status of the the France Télécom payments – representing FFr37.5bn ($7bn) in retirement funds for its employees.

He was confident that the money could be counted towards reducing the deficit. The payment "conforms to the rules of the treaty," he said, pointing out that the Commission advisers had not decided to overrule the accounting of this payment.

He added that he had every confidence Germany and a number of other European countries would be able to respect their engagements to meet monetary union.

"We have to start thinking in euros from January 1, 1999," he said, launching an information campaign to familiarise the French public with monetary union.

But an opinion poll released by Mr Arthuis yesterday suggested a fall-off in French enthusiasm about the move to a single currency: 54 per cent of 1,000 citizens questioned in the middle of this month were in favour, compared with 57 per cent in April.

The poll also showed a rising number of people concerned about the move to the euro, 55 per cent expressing worries compared with 51 per cent six months ago.

Mr Arthuis said the figures showed the need for an active communications strategy to ease the introduction of the euro, and unveiled the outline of a six-year communications plan likely to cost about FFr30m next year, of which he said a significant proportion would be funded with EU aid.

President Chirac himself suggested yesterday morning the need for a gadget to be widely available, which would allow the user to calculate the value of francs in euros with the pressing of just two or three buttons.

Spain and Portugal aim to be in at start

A jovial Spanish prime minister, Mr Jose Maria Aznar, sits with cabinet colleagues on the second of a two-day summit with their Portuguese counterparts in Ponta Delgada in the Azores. Discussions of the two states' ambitions to join Emu from the start dominated the summit. Portugal's premier, Mr Antonio Guterres, said last night that "there is a firm determination to ensure that Portugal and Spain will be among the founder nations of the single currency".

Talks between officials of the two countries ranged from bilateral issues such as scarce water resources to international matters, including the EU summit in Dublin in December.

Spanish officials expressed support for Portugal's efforts to win self-determination for the people of the former Portuguese colony of East Timor. *Reuter*

Beef aid package clears way for wider measures

By Caroline Southey in Luxembourg

EU farm ministers yesterday agreed to pay beef farmers extra aid of Ecu500m ($630m), clearing the way for a deal on measures to cut beef production.

The breakthrough on a package of measures to cut surplus stocks came after Mr Franz Fischler, European Commissioner for agriculture, agreed to the ministers' demand that the additional aid should be paid to beef farmers in 1997.

The deal on aid cleared the way for an agreement on a trimmed down package aimed at cutting beef production. However, Germany voted against the package, arguing that some of the measures should not have been dealt with now but left until longer-term reforms were addressed.

The package included allowing 550,000 tonnes of surplus beef to be bought into EU stocks in 1996. The EU beef mountain has risen to 400,000 tonnes since the crisis began seven months ago.

The ministers admitted that the package only addressed the short-term crisis in the beef sector and that deeper reforms were necessary. They called on Mr Fischler to submit proposals on further changes within six months.

"What this tackles is a short-term need. I am determined to continue to press for long-term changes which benefit the agricultural industry," said Mr Douglas Hogg, the UK agriculture minister.

EU officials said that to reach the Ecu500m extra aid target a further Ecu270m would have to be found in the 1997 Common Agriculture Policy budget of Ecu40bn. So far Ecu230m has been freed in the 1997 budget after aid payments due next year were paid out of surplus funds in the 1996 budget.

The extra aid would be paid proportionally to member states depending on the size of their non-dairy herds. Under the proposal France would receive 24 per cent of the funds, Germany 20 per cent and the UK 13 per cent.

To pay for measures to reduce the supply of beef the ministers agreed that an estimated Ecu1.3bn should be freed by postponing aid for oilseed farmers due in 1997 until 1998. However, they unanimously rejected Mr Fischler's proposal to cut aid to cereal farmers to help pay for the beef package.

Mr Fischler's proposal to slaughter 2m calves over two years was also rejected and replaced with a scheme under which member states could choose to pay their farmers to kill newborn calves or sell younger cattle.

However, the Commission said that the combined effect of the two systems would have to meet the same target of reducing the number of calves by 1m in 1997.

Further measures to cut beef production included replacing the present system of paying two bull premiums at 10 months and 22 months with a single payment of Ecu135 at 10 months.

The proposals included measures to encourage less intensive farming with a new aid payment of Ecu52 to farmers who run less than one livestock unit per hectare.

Wealthy clique emerges from Kremlin gloom

By Chrystia Freeland, John Thornhill and Andrew Gowers in Moscow

In his transformation from car dealer to Kremlin boss, Mr Boris Berezovsky embodies the emergence of an exclusive group of bankers and businessmen as Russia's de facto government.

The clique's members say their decision to take power is driven by a desire to ensure that Russia navigates the tricky path to a functioning market economy.

Their opponents, from human rights campaigners to Communists, accuse the financiers of seeking to place the Kremlin under a closed oligarchy primarily concerned with furthering its own interests.

The coterie, which Mr Berezovsky said yesterday includes six top banks and businesses, became a united force in Russian politics during the summer presidential election campaign, bankrolling Mr Boris Yeltsin's successful re-election drive.

Now, Mr Berezovsky explained, the businessmen were coming into the open. His appointment this week as deputy head of the National Security Council is the second such move. The first member of the group to join the administration was Mr Vladimir Potanin, the former head of Oneximbank, one of the country's top commercial banks, who became first deputy prime minister in August.

A mathematician who began his business career at the massive Autovaz car factory in provincial Russia, Mr Berezovsky said yesterday half a dozen of Russia's most powerful tycoons decided this spring that there was "a deathly danger" that the country would fall into the hands of extreme nationalist or Communist politicians.

"Business realised that if business is not consolidated, and if we are not strong and decisive, we will not have a chance," Mr Berezovsky said, sitting in the extravagantly furnished reception room of a downtown Moscow business club, owned by Logovaz, his car dealership.

That fear sparked the formation of a group of six large concerns, including the Most media and banking empire, Oneximbank, Menatep, another leading bank, and Mr Berezovsky's empire, which includes control of the country's biggest television network.

Mr Berezovsky said he personally conducted many of the negotiations which brought Mr Alexander Lebed, the popular former general, into Mr Yeltsin's administration between the first and second rounds of the presidential election.

Last spring the tycoons decided the nation was in 'deathly danger'

He said he and his associates had brought in Mr Anatoly Chubais, the president's chief of staff – who many say is the most powerful figure in the Kremlin – to head a 10-strong presidential campaign team which included Mr Yeltsin's daughter, Mrs Tatyana Dyachenko. He said the bankers paid the group around $3m for their services, though he could not remember precisely who signed the cheque.

As the political influence of Mr Berezovsky has grown, so have the political scandals swirling around the diminutive 50-year-old.

This month, Mr Yeltsin's ousted bodyguard, Mr Alexander Korzhakov, said Mr Berezovsky had asked him to eliminate a business rival. Mr Lebed said Mr Berezovsky ordered him to rip up his peace deal in the breakaway Chechen republic because his financial empire was profiting from the war.

Mr Berezovsky, who has now vaulted into the powerful powerful council from which Mr Lebed was rudely dismissed two weeks ago, flatly denies these charges.

Shake-up in Czech banking proposed

By Vincent Boland in Prague

The Czech central bank has proposed to the government the biggest shake-up in the banking sector for several years, including the merger of two large banks, after a series of failures and fraud allegations that have sapped confidence in the past few months.

The proposals concern the Big Four banks: Komerční Banka, Ceská Spořitelna, Investiční & Poštovní Banka, and Ceskoslovenská Obchodní Banka, which control some two thirds of banking assets.

Any restructuring would require a wide measure of political agreement, including parliamentary approval.

The central bank has proposed merging CS and CSOB to create a new institution to rival the dominant Komerční. A merger would be complex and would dilute private CS shareholders and would delay full privatisation of the enlarged bank for several years. The state owns 48 per cent of CS, while Czech and Slovak state bodies own 100 per cent of CSOB.

Other proposals involve:

- completing privatisation of Komerční through a series of international offerings – the state retains a 45 per cent stake;
- selling the 31.5 per cent state stake in IPB to a foreign investor.

The Japanese securities firm Nomura said last week it was a candidate to buy the IPB stake. Dutch financial services group ING has also expressed interest in buying into Czech financial companies, and may be a contender for the stake.

The merger of CS and CSOB – the former dominant in the savings market, the latter strong in foreign trade – has been floated before but was rejected by both. It was given a lukewarm reception yesterday by Mr Jaroslav Klapal, chief executive of the savings bank, who said it would damage the bank's relations with its clients.

Malta seeks to alter EU links

By Godfrey Grima in Valletta

Malta's new Labour government, which won the weekend election with a pledge to withdraw the island's application for European Union membership, said yesterday it would try to negotiate new commercial, social and security ties with the EU.

Mr Alfred Sant, the new Labour prime minister, said this would replace the island's association agreement with the EU, signed in 1970. But the EU application would not be withdrawn, the replacement of value added tax with customs duties, another election pledge, would render the island ineligible for membership.

Mr Sant also indicated a willingness to foster security ties with the US, which he said could provide valuable help in combatting the drugs trade.

He side-stepped questions on links with Libya by saying his government wanted effective working relationships with Libya, Tunisia and Italy, its Mediterranean neighbours.

Malta would continue to uphold United Nations sanctions against Libya "even though we do not agree on the way these were imposed."

Mr Sant said Nato had been informed yesterday that Malta was immediately quitting its Partnership for Peace programme. Labour argues that membership conflicts with the neutral status enshrined in the island's constitution.

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EUROPEAN NEWS DIGEST

Swiss to join Nato's PFP

Switzerland announced yesterday it would join Nato's Partnership for Peace programme but stressed that the move did not jeopardise the country's treasured neutrality nor signal its intention to join the western military alliance.

Mr Javier Solana, Nato's secretary-general, said he expected Switzerland to join the PFP officially on December 11. Swiss officers would observe, but not join, military manoeuvres and take part in peacekeeping exercises.

Nato launched the PFP scheme in 1994 primarily to help foster ties with emerging democracies in eastern Europe eager to shelter under the alliance's security shield. It is seen by many of them as a half-way house to membership of the alliance. *Reuter, Zurich*

Holocaust probe ordered

The Swiss government has hired two of the country's leading historians to conduct an urgent investigation into claims that Switzerland used the unclaimed bank accounts of Holocaust victims to compensate Swiss citizens for property seized in eastern Europe.

Mr Peter Hug of Bern University and Mr Marc Perrenoud of Neuchatel have been asked to examine all relevant files in the federal archives concerning compensation agreements with Bulgaria, Czechoslovakia, Yugoslavia, Poland, Romania, Hungary and other countries after the second world war. Their report will be sent to the foreign ministry by December.

The investigation is the first sign of the Swiss government's new approach to dealing with the various accusations about its wartime behaviour. It is in the process of setting up a panel of experts to look into the various issues raised by its dealings with Nazi Germany. However, this body could take up to five years before it is finished. *William Hall, Zurich*

Looted art sale raises $14.6m

A two-day auction of more than 8,000 works of art looted from Austria's Jewish community during the second world war raised $14.6m, more than four times the estimate. More than 1,000 people crammed into the three auction rooms at Vienna's Museum for Applied Arts to watch the bidding on the last day and several hundred more took part in the bidding via 18 outside telephone lines. The best price was paid for a painting by Abraham Mignon, entitled *Peonies, Roses, Tulips and Poppies in a glass Vase*. It was sold for $1.3m when the organisers had expected it to go for between $47,000 and $74,000.

The auction is the most visible sign of Austria's efforts to face up to one of the unhappiest periods in its history. Although the Austrian government promised the Allies after the war that it would take every effort to restore art objects stolen from the homes of Austria's 180,000-strong Jewish community, very few were returned. For years they have been stored in a monastery. *William Hall*

Ferry companies fined

The European Commission yesterday fined five ferry companies a total of Ecu645,000 ($812,800) for operating a price cartel on cross-Channel freight shipments in 1992. It named the five as P&O, Stena-Sealink, Brittany Ferries, Sea France and North Sea Ferries. Britain's P&O was given the biggest fine of Ecu400,000, followed by rival Stena-Sealink which must pay Ecu100,000.

Brussels said it had imposed the fines because the companies in 1992 agreed to impose a surcharge on cross-Channel freight shipments to compensate for the devaluation of the British pound in September of that year. The levies were introduced in November at identical rates and with the same method of calculation.

The cartel was only partly successful because of the reluctance of clients and it lasted only for a short time, which explained the "moderate penalties", the Commission said. *Reuter, Brussels*

UK sends Berlusconi papers

Documents relating to the financial affairs of Mr Silvio Berlusconi (left), the former Italian prime minister, who is facing trial on bribery charges, were finally sent by the UK government to Milan magistrates yesterday. Their transfer followed a House of Lords decision to refuse Mr Berlusconi a further hearing of his challenge to the legality of the documents' seizure. Following the decision, the Home Office immediately sent the papers to Italian authorities investigating allegations of fraud within Mr Berlusconi's Fininvest media empire. Milan magistrates, who are prosecuting Mr Berlusconi over the alleged bribing of members of the Guardia di Finanza (financial police), regard the papers as crucial to understanding Fininvest's off-balance sheet operations.

The documents were seized in April in a raid by the UK Serious Fraud Office on the London premises of CMM Corporate Services, a company which helped administer Fininvest's affairs. The High Court last week rejected Mr Berlusconi's claims that the documents had been seized illegally. *John Mason, Law Courts Correspondent*

MasterCard in Spanish deal

Spanish customers are to get credit and debit cards with the MasterCard logo, breaking the rival Visa card network's long stranglehold in Spain. Sistema 4B, the country's largest commercial bank card group, this week signed an agreement which will add the Eurocard/MasterCard brands to 4m of its payment cards. The group includes Banco Santander, Banco Popular and Banco Central Hispano.

The agreement follows a similar deal earlier this year with the Spanish savings banks, meaning that 70 per cent of Spanish banks will now issue MasterCards as well as Visa. The third main card grouping in Spain, Semp, remains firmly aligned with Visa, which until now accounted for 97 per cent of all credit cards issued in Spain. *George Graham, London*

French phone market move

The French government yesterday confirmed plans to open up its long-distance telephone market in a way that experts think will give France more effective competition in telecoms than most other large countries.

The new system – to take effect from January 1 1998 – will permit a consumer's choice of long-distance operator to be determined, on a call-by-call basis, by the first digit in France's new 10-digit telephone numbers introduced earlier this month. If the first digit dialled is 0, the call will be routed via the user's regular operator. Seven of the remaining nine possible first digits are to be reserved for other long-distance operators offering a nationwide service. The other two first digits are needed for the emergency services and online services such as Minitel.

This way of enabling customers to access a variety of operators without having to dial extra digits is widely thought to be encouraging to new long-distance operators. *David Owen, Paris*

Privatisation agency to probe Heckert

By Frederick Stüdemann in Berlin

The privatisation agency for east Germany is to investigate the collapse of Heckert, an engineering subsidiary of the west German company Traub, which recently sought protection from its creditors.

The agency, the BvS, said an accounting firm had been hired to investigate the flow of money and assets between Heckert and Traub. In particular the BvS is concerned to ensure that DM117m ($77m) in subsidies granted for the restructuring of Heckart since privatisation were used correctly.

"Initial results show that more extensive investigations must be carried out," the BvS said. The agency said it could not yet say whether it had cause to make a claim against Traub.

Mr Peter Ulrich, chief executive of Heckert, was granted a *Gesamtvollstreckung*, a form of bankruptcy proceedings peculiar to eastern Germany which effectively puts a company into administration, by a court in Chemnitz in Saxony.

Heckert said the move into administration was prompted by the collapse of Traub two weeks ago and the subsequent refusal by a consortium of banks, led by Deutsche Bank, to grant the company a loan of DM15m to ease liquidity problems. The refusal came despite the fact that the state of Saxony had offered to guarantee 65 per cent of the loan.

Deutsche Bank said the DM15m loan would only have covered Heckert's immediate liquidity needs and not solved the company's longer term problems. "The real amount needed was much more. It was somewhere over DM100m," it said.

In April, Mr Ulrich forecast sales of DM155m and a "move towards the profit zone" for Heckert, which employs 550 people.

The state of Saxony and the BvS said yesterday in a joint statement they would support a restructuring of Heckert once concrete proposals were made by the court-appointed administrator.

Under communism Heckert was one of East Germany's showcase industrial combines, employing 27,000 people, 4,000 of them in Chemnitz – then called Karl-Marx-Stadt.

The collapse of industrial companies in eastern Germany is of prime concern to the Bonn government as its strategy for recovery in the region rests partly on core companies providing an economic stimulus in their home region.

Waigel rejects warning on Emu target

By Peter Norman in Bonn

The German government aims to keep the 1997 federal deficit down to DM56.5bn ($37bn), in line with its draft budget plans, despite higher than expected unemployment and reduced tax income, Mr Theo Waigel, the finance minister, said yesterday.

Speaking in a Bundestag debate, called by the opposition Social Democrat party, Mr Waigel rejected Tuesday's forecast from Germany's six leading economic research institutes that the country's overall government deficit would exceed the Maastricht treaty criterion of 3 per cent of gross domestic product next year.

The institutes' forecast of a 3.5 per cent deficit was based on the assumption that the federal government would fail to keep to its budget goals for 1997, the minister said. However, the government would meet its targets and, provided the federal states or *Länder* did the same, Germany's deficit would be less than 3 per cent of GDP. Mr Waigel admitted that this year's federal deficit would exceed DM70bn, up from the original target of DM59.9bn, and that difficulties lay ahead.

He expected that the next official tax revenue forecasts, due on November 8, would point to an additional shortfall in 1997. The federal labour office, which administers Germany's unemployment pay, would need a "limited subsidy" from Bonn next year to meet extra costs of DM6bn. But income from property sales, privatisation and reduced payments to the European Union would partly offset these burdens.

The noisy debate, timed by the SPD to detract from Chancellor Helmut Kohl's achievement of becoming Germany's longest serving leader since the second world war, was marked by an unusually aggressive and effective performance from Mr Rudolf Scharping, the SPD parliamentary leader.

Romanian sell-offs fail to bring wealth

Virginia Marsh explains why Bucharest investors must retain their shares for now

Every day people enter Dan Mitra's small brokerage company in central Bucharest and offer to sell the shares they received under the country's mass privatisation programme. They are always refused. Buying and selling of almost all the shares – which represent the population's free stakes of up to 60 per cent in some 4,000 state companies – is forbidden until a much delayed US-becked over-tbe-counter market becomes fully operational.

The Rasdaq market was "opened" amid much fanfare by President Ion Iliescu in late September at the start of his election campaign – parliamentary and presidential polls are to be held on Sunday. But trading in the first six stocks did not begin until last Friday and most of the 16m shareholders created under the scheme will beve to wait well beyond election day.

The scheme, which should boost the private sector's share of the economy from about 45 per cent at present, is the most ambitious project of the governing Party of Social Democracy (PDSR) in its four years in office. It gave individuals shares with e nominal valoe of about 1m lei ($300), about three times the average monthly pay. But brokers expect that prices will plunge on a wave of selling once trading in most stocks begins.

Cut off from state support, many companies will be forced to restructure and some will go bankrupt, pushing up unemployment which, et about 6 per cent, is at its lowest level since 1992.

"Most people coming here ask for the full 1m lei for their shares," says Mr Mitra, whose GM Invest is one of dozens of fledgling securities companies set up in recent years. "It doesn't seem clear to them that the market will set the price."

Romanie opened its first stock exchange in half a century last year bnt it has proved a disappointment. It trades just 13 stocks and both prices and turnover have slumped, generating tiny commission for brokers, which have thus mainly remained shoestring operations. Daily volumes in the exchange'e bi-weekly sessions this month have been below 80m lei.

However, after failing for months to attract any new listings, the stock exchange now has ebout 25 companies hoping to join. This week has also seen e botly contested tender for two new GSM mobile telephone licences, and bids have been invited for exploration rights in 15 oil and gas blocks.

The market's slow start discouraged companies from listing or from raising capital on it, despite interest rates exceeding 50 per cent for lei loans from banks. The government could have boosted the market by listing Treasury bills but, insteed, it places them mainly with the powerful state banks that still dominate the financial sector and remain subject to political pressure.

At the same time, financial difficulties and allegations of fraud et a leading mutual fund earlier this year, as well as poor regulation of that sector, have undermined confidence in the few local investment funds just when they should be gearing up to accumulate stakes in the best of the newly privatised companies.

Not many foreign-owned funds or securities companies have been formed, partly due to inadequate legislation for foreign portfolio investors.

"What Romanian companies need more than anything else is new capital. Insufficient ettention has been paid to developing the financial sector," says a local banker. "The problem with the privatisation scheme and the OTC is that we have the sellers but I don't see too many buyers."

After performing poorly in June's local elections, the PDSR has paid a little more attention to capital markets end attracting foreign investment which, at about $2bn since 1990, is below levels elsewhere in the former East bloc.

It has also ditched its extreme nationalist coalition partner and, when selecting candidates for parliament, dropped several incumbent MPs tainted by corruption or other scandals in favour of its more reformist wing. Opinion polls indicate that, despite the great social costs of transition, Romanians etill favour market-led reform.

According to Irsop, a local polling company, about two thirds of the population favour greater foreign investment. About 60 per cent believe privatisation has been too slow, even though a similar percentage expects the present scheme to lead initially to lower living standards.

Row over state aid to Dutch industry groups

By Gordon Cramb in Amsterdam

Successive Dutch governments provided aid to large industrial groups which was in breach of procedures set by parliament, tbe country's eudit office found yesterday in e ruling which edds to controversy surrounding Fokker, the failed aircraft maker.

It said thet Fokker received support during a state-backed rescue in 1987 as well as further funds in 1993 and 1994 without previously established conditions being applied.

In this and cases involving Daf, the truck maker, and NedCar, which produces passenger vehicles, "the relation between the aid and employment was unknown and coherent support plans, which included a detailed perspective of the state'e role, were lacking".

Its finding comes as an embarrassment to the Economic Affairs Ministry, responsible for industrial policy, at a time when its officials are anxious to reach agreement with Samsung of South Korea on e rescue of Fokker. They have been pressing Samsung for a reply by tomorrow on terms for e takeover.

The Korean conglomerate is said to be seeking as much as Fl 1bn ($585m) from the government to assist the bail-out but has given no clear pledge on the retention of Dutch jobs.

The report by tbe eudit office will also weaken the ministry's case in e Fokker aid investigation being conducted by the European Commission. It is examining the role of The Hague in an arrangement two years ago whereby the company, in which the government holds a minority stake, sold its technological knowhow in a Fl 412m leaseback deal with Rabobank, the large Dutch co-operative institution.

The ministry gave its blessing to the so-called techno-lease – as a result of which it lost substantial tax revenues – without seeking clearance from Brussels. It did not regard the deal as constituting state aid. Mr Hans Wijers, economy minister, acknowledged yesterday the ruling, which found the eccord improper, "could have consequences in the EU" but he criticised the eudit office conclusions as inadequate.

Fokker collapsed in March when Daimler-Benz, which owned 51 per cent, halted funding. But government support had achieved its goals "in the form of two promising and healthy businesses" – NedCar, operated as e joint venture with Volvo of Sweden and Japan's Mitsubishi Motors, and Daf Trucks, which this month agreed e Fl 933m takeover by Paccar of the US.

VW suit against GM and Opel dismissed

Volkswegen yesterday suffered a further setback in its dispute with rival General Motors when a Frankfurt court dismissed VW's defamation suit against the US company and Opel, its German subsidiary, **Sarah Althaus reports from Frankfurt.**

Volkswegen, Germany's biggest carmaker, said it would wait for a detailed report from the court before considering an appeal at a higher German court. VW had sought DM10m ($6.6m) in damages from Opel and GM over statements which it alleged were part of e systematic campaign to harm its reputation.

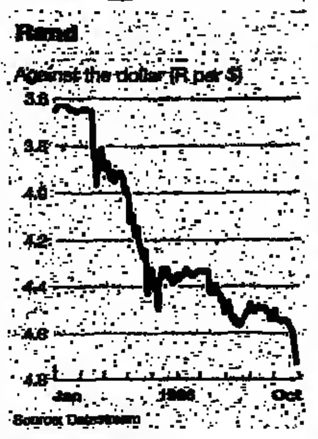
The bitter dispute between VW and GM began in 1993 when Mr José Ignacio López left the US group to join VW as head of production.

In a complex set of legal actions, GM has accused Mr Lopez, formerly GM's global purchasing chief, and several other GM employees he took with him, of stealing confidential documents and date. VW has denied the charges.

NEWS: INTERNATIONAL

Plunging rand tests South African nerves

By Roger Matthews in Cape Town



The South African rand came under heavy pressure again yesterday, hitting new lows against the dollar, and testing the nerves of a government determined not to be panicked into politically unpopular measures.

Opening at R4.69 to the dollar it quickly fell by more than 1 per cent to R4.74 before profit-taking and intervention by the Reserve Bank brought it back to close at R4.73.

The rand has now lost nearly 30 per cent its value since international confidence began to evaporate last February.

Ministers have largely given up insisting that the currency is substantially undervalued. "The decline in the currency has perhaps been excessive," was how Mr Trevor Manuel, finance minister, most recently described the collapse. But he insisted there was nothing wrong with official policy and scepticism about the government's ability to implement it was misplaced.

The issues that investors and foreign exchange dealers were fretting about – such as evidence of the government's commitment to fiscal discipline, the removal of foreign exchange controls, and privatisation – could not be resolved quickly. "It is simply not possible for me to show progress in terms of the fiscal commitments that have been made until next year's budget," said Mr Manuel.

Nor, he added, was it desirable for privatisation to proceed more rapidly. The waiting in both cases will probably stretch into March.

Mr Chris Stals, the governor of the Reserve Bank, meanwhile emphatically quashed speculation of an early removal of the remaining foreign exchange controls. The fall this year in foreign reserves, from more than R15.7bn to R10bn, had created a situation where "to act precipitately could create disaster".

The need for patience on all these issues is largely dictated by political factors, especially where the government's drive to redress the evils of apartheid runs into conflict with the realities of the global economy.

Mr Manuel was infuriated last week by a newspaper report suggesting he was placing less emphasis than Mr Thabo Mbeki, the deputy president, on attaining the African National Congress's most cherished goals of social and human development. Nothing could be further from the truth, said Mr Manuel, who proceeded to outline the substantial budgetary commitments to health, education, housing, welfare and infrastructure, all of which he was determined to defend.

As these absorb the greatest part of government revenues, together with debt servicing, Mr Manuel faces bruising negotiations with political interest groups if he is to meet the official target of reducing the budget deficit next year to 4 per cent of gross domestic product.

Mr Stals has been struggling for weeks to avoid another increase in interest rates, well aware of the damage this could inflict on an already slowing economy. Official growth forecasts for this year and next have been progressively reduced to 3 per cent and 2.5 per cent respectively, and would have been lower but for buoyant agricultural output. Inflation has meanwhile risen from 5.5 per cent in April to an annual rate of 8.4 per cent last month, with the full effects of higher import prices yet to be felt.

The patience exhibited by Mr Stals on interest rates rests in the hope that evidence will be forthcoming soon of a slowdown in the excessive increases in money supply (15 per cent) and bank credit (17.6 per cent), and a reduction in the deterioration of the current account, which swung from a surplus of R5.8bn in 1993 to a R12.7bn deficit last year. The annualised deficit rose to R16.4bn in the second quarter of this year, but Mr Stals is confident that the third quarter will see a significant slowing.

The International Monetary Fund recently listed three imperatives for the government. It had to implement financial and structural policies that strengthened market confidence; ensure its commitment to those policies was not called into question; and be equally sure the markets were confident that policies would be "adjusted appropriately in the face of unexpected developments".

If those uncertainties were not addressed the benefits of growth would be lost "as a result of the associated increase in the country risk premium, and thus higher domestic interest rates".

On those criteria alone, the government might have cause to wonder if the IMF continues to share its patience.

Israeli PM wins budget support

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, yesterday managed to secure enough support from his conservative Likud-led coalition for his controversial budget package to pass its first reading in parliament. But five members of his coalition abstained.

The vote, considered a test of Mr Netanyahu's ability to exert his authority over a fractious coalition, was immediately denounced by the opposition Labour party which claimed the prime minister had promised his partners funds not included in the 1997 budget just before the vote.

Mr Netanyahu said he would consider "some changes" in expenditure, but insisted he would stick to the budget proposals which envisage cuts of Shk4.9bn ($1.5bn) next year.

Senior Likud members, including Mr Netanyahu, had spent the day lobbying the six coalition parties which eventually cast 59 votes in favour, with Labour casting 52 votes against a budget aimed at cutting the deficit to 2.8 per cent of gross domestic product next year. Israel radio reported that Yisrael be-Aliya, one of the coalition partners, led by Mr Natan Sharansky, the former Soviet dissident, abstained – a move which could reflect the growing political importance of this largely Russian party.

The vote, which will move into the committee stages before a second reading, coincided with the publication of economic statistics by the central bank which confirmed the economy was slowing down.

Between April and September, GDP grew 3.1 per cent on an annual basis compared with 11.8 per cent over the same period last year, while industrial production rose 4 per cent compared with 9.3 per cent over the same period.

A delicate ethnic balance unravels

Michela Wrong on the roots of Zaire's Hutu-Tutsi conflict

The conflict involving the Banyamulenge, the Tutsi fighters carving a swathe through eastern Zaire, has been brewing since 1994, when the huge influx of Hutu refugees from Rwanda upset the delicate ethnic balance in one of Africa's most tribally diverse regions.

The aim of the Hutu extremists who massacred Rwanda's Tutsis has been to cleanse Zairean Tutsis from the hills, establishing a Hutu homeland from which to stage cross-border attacks aimed at destabilising the Tutsi-dominated regime in Rwanda.

Appeals to the Zairean authorities to stop supporting the extremists have fallen on deaf ears.

"President Mobutu... does not appear inclined to take the lead in restoring peace," says Mr Robert Garreton, a UN human rights investigator in a report published earlier this month. "It seems that the Zairean government also has an interest in establishing a Hutuland."

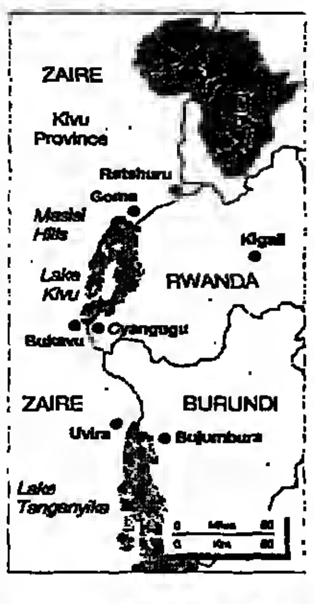
A community of 250,000-400,000, the Banyamulenge are just one of the many Banyarwanda – groups speaking Kinyarwanda and belonging to the Hutu, Tutsi or Twa ethnic communities – living in Kivu but regarded as "foreigners" by indigenous Zaireans.

As with so many African conflicts, colonialism has played its role in fuelling ethnic tensions in the area by establishing frontiers that cut across tribal and language boundaries.

In 1910, Belgium, Germany and Britain signed a treaty which redrew the frontiers of their colonies, in the process annexing to what is now Zaire Rwandans living in north Kivu. Zaire's Belgian colonisers later added to that population in the 1930s, 1940s and 1950s by bringing Rwandan labourers to work on their plantations and giving them land to settle.

The roots of the Banyamulenge go far deeper than their cousins in the north. They were Tutsi pastoralists who started migrating to the Mulenge hills west of Lake Tanganyika to feed their cattle in the 18th century.

Before 1994, Kivu's various ethnic groups lived fairly peacefully together and the communities intermarried.



But indigenous Zaireans, who held political power, resented the way in which the Banyarwanda, particularly the Tutsis among them, excelled economically.

Having granted the Banyarwanda nationality in the 1970s on a collective basis and given them the right to vote, Zaire in 1981 amended that law and said those wanting citizenship would have to prove that their ancestors had lived in the country since 1885. It was the start of the Banyarwanda's marginalisation.

Last year, responding to the dramatic influx of more than 1m Rwandans, Zaire's parliament passed a resolution aimed at preventing the refugees acquiring nationality and voting in elections. Ignoring history, it treated the Banyarwanda as new arrivals, listing their properties and telling them to halt building work.

Then, late last year, the extremists, or *interahamwe*, launched their drive for a Hutu homeland. Recruiting supporters from the refugee camps the militiamen joined forces with Banyarwanda Hutus and started clearing the Masisi hills.

Local soldiers would protect the militiamen while they attacked, then load targetted families on to coaches, seize their identity cards and drive them to the border with Rwanda – demanding a fee for the service.

Hundreds of thousands of indigenous Zaireans also lost their homes and lands in the multi-faceted fighting. But they, unlike the 42,000 Banyarwanda Tutsis made homeless, were not forced out of the country.

Egging them on were increasingly virulent anti-Banyarwanda statements made by the Zairean authorities. The governor of north Kivu encouraged constituents to "attack and attack the immigrants" and told Zairean Tutsis their choice was "between expulsion and death".

Local authorities knew they would not be wrapped on the knuckles by President Mobutu Sese Seko. A friend of the late Rwandan President Juvenal Habyarimana, he has given safe haven to the former Rwandan army generals and politicians who masterminded the 1994 genocide.

As a result, anti-Tutsi sentiment has become increasingly widespread in elite Zairean circles, analysts report. "In order to succeed in politics, you have to be anti-Rwandan," one human rights worker told Mr Garreton.

Realising what lay ahead, the Banyamulenge started arming. "They saw what happened to their brothers in Masisi and Rutshuru, who were defenceless and were killed and evicted. They are saying: 'We're not going to allow this to happen to us,'" said a spokesman in exile.

Many analysts concur with Zairean claims that the Banyamulenge got help from their fellow Tutsis in Rwanda and Burundi, angered by Zaire's support for the guerrilla groups destabilising their regimes.

By September there were growing reports of human rights abuses – including extrajudicial executions of Banyamulenge – by Zairean soldiers and local people in Uvira.

But the real escalation came after the deputy governor of south Kivu told the Banyamulenge in early October to get out or be treated as rebels, a message widely interpreted as giving their enemies carte blanche for any atrocities they chose to commit. He was later suspended by Kinshasa, but the message had got through to both sides. The time for talking was at an end.

Tracing the seeds of ethnic conflict

July 1994 – More than a million Hutus cross into Kivu fleeing from the Rwanda Patriotic Front rebel movement. Among the refugees are the militiamen, politicians and soldiers who massacred 500,000 Tutsis in Rwanda.

April 1995 – Zaire prevents Rwandan and Burundian refugees acquiring nationality, including the Banyarwanda.

August 1995 – Zaire tries to close refugee camps around Goma. Campaign is abandoned after international protests.

December 1995 – Interahamwe militiamen drive hundreds of thousands of Banyarwanda Tutsis and indigenous Zaireans out of north Kivu.

May 1996 – Up to 700 Tutsis reported killed in a monastery in north Kivu, by Hutus and Interahamwe. Rwanda's ambassador to the UN calls on Security Council to act to prevent genocide in eastern Zaire. Zaire says it is a "completely internal situation".

August 1996 – President Mobutu checks into a Swiss clinic for prostate surgery.

September 1996 – Amnesty International investigators reports that 35 Banyamulenge have been illegally executed in south Kivu by the authorities and 50 have disappeared. Rwanda and Zaire exchange mortar fire on the Bukavu-Cyangugu border for three days.

October 1996 – Banyamulenge fighters attack a hospital near Uvira, killing Hutu patients. Deputy governor of south Kivu tells the Banyamulenge community it has a week to leave Zaire "or be hunted down as rebels". Banyamulenge fighters start attacking refugee camps around Uvira.

NEWS: WORLD TRADE

Iran's secret bid to join the WTO

By Robin Allen in Dubai

Iran has applied to join the World Trade Organisation, but has kept quiet about it for fear of opposition from conservative merchants and Islamic hardliners.

The WTO secretariat has confirmed that Iran applied for membership last year. Any application has to pass through various panels "so it is a slow and complicated process understood by very few outside government; especially when you don't inform them," a senior diplomat said.

Iranian officials or the Iranian press have not mentioned the application, although last July Mr Issa Kalantari, the agriculture minister, listed the advantages for Iran's agricultural exports that would flow from WTO membership. But he made no reference to the application.

Diplomats say there are strong domestic political reasons to keep Iran's application secret. "The idea of joining the WTO is a very sensitive political issue." Membership involves obligations as well as benefits. They include trade liberalisation, elimination of multiple exchange controls and subsidies, opening up of financial markets, guaranteeing intellectual property rights, and accepting international monitoring of trade legislation.

Lined up on one side, say diplomats and businessmen, are most of the government, notably Mr Kalantari and the industries minister, Mr Mohammad Nematzadeh, as well as technocrats in the bureaucracy and a substantial minority in the *majlis*, parliament, who understand the need to open up trade and expand the economy.

They are supported by Tehran's business and banking community, who point out the advantages of Iran's geographical location with land or maritime borders with 15 countries.

Gulf businessmen agree that WTO membership would benefit Iran's non-oil trade. Iran could take advantage of new railway lines linking central Asia with the Gulf, and of its developing free-trade zones, notably on the low-cost gas-rich Gulf island of Qeshm.

But ranged against the reformers and "modernists" are the radical left, the conservative merchants and the hardline Islamic traditionalists. Collectively they dominate the political structures of Iran's Islamic state.

● Thirty-one countries have applied to join the World Trade Organisation, whose current 124 members grant each other "most favoured nation" or equal and non-discriminatory treatment.

● Among Middle Eastern countries, there are applications from Jordan, Saudi Arabia and Oman. Israel, Bahrain, Qatar, Kuwait and the UAE are already members.

The last two, who comprise the largest grouping in parliament, are led by the speaker, Mr Ali Akbar Nateq-Nouri, a declared contender for next August's presidential elections.

"The merchants want to maintain existing import controls because they have the right licences and the right connections," senior diplomats say. "Mr Nateq-Nouri is among their most powerful supporters." Behind them are the ranks of the conservative clergy, "who see any liberalisation as a threat to the Islamic revolution, and international organisations as a US-inspired conspiracy".

President Hashemi Rafsanjani has to find a way to overcome their opposition if the *majlis* is to ratify Iran's WTO application, according to senior diplomats.

Aviation talks try again for take-off

By Nancy Dunne in Washington and Charles Batchelor in London

European Union aviation officials yesterday began talks in Washington aimed at creating an "open skies" agreement with the US, a week ahead of the resumption of negotiations between Britain and the US over a bilateral accord.

Both sets of discussions, aimed at liberalising the market for airline services across the Atlantic, face considerable difficulties.

The US is sceptical of the two-stage approach adopted by the EU – dealing with "soft issues" such as stats aids and code-sharing before approaching more contentious areas such as traffic rights. In addition, the lack of a EU negotiating mandate has not encouraged Washington to engage in full negotiations. "We're always delighted to talk to the commission," said Mr Charles Hunnicutt, assistant US transportation secretary for aviation, who earlier this month warned that the EU's decision to delay talks on traffic rights until a second phase meant little progress was likely.

"Let's be realistic. We can't reach an agreement for liberalisation without discussing the entire range of issues," Mr Hunnicutt said. In the meantime, the US "will continue with what is commercially relevant and more realistic," he said.

Mr Claude Chene, EU director for air transport, called for "a free and fair aviation zone across the Atlantic."

Mr Chene said an US-EU deal was necessary "even if Europe were covered by 15 open skies agreements" because many crucial points would remain to be addressed. Divergences exist, for example, between national and EU aviation rules on the awarding of take-off and landing slots.

Although Washington is unenthusiastic and the talks are only on the technical level, the EU is fielding a 20-member delegation, one of its largest for trade talks with the US.

The US has thus far concluded eight "open skies" agreements with EU countries, a strategy European analysts believe lets Washington pick off weaker players. A deal with the UK, which shares 70 per cent of transatlantic airline traffic with Washington, has proved elusive.

Next week's UK-US discussions will have to recover from the US decision to abandon the last round of negotiations in August because of lack of progress.

However, the resumption of talks sparked fresh industry speculation that a compromise is now in the offing after months of deadlock. This would also open the way for British Airways and American Airlines to win approval for their controversial plans to join forces on the transatlantic market.

However, airline executives said it was too early to say whether the two governments could now reach agreement on open skies.

Spain opens $2.3bn Algerian gas link

By David White in Madrid and Roula Khalaf in Algiers

Natural gas starts flowing tomorrow into Spanish homes through a 1,400km pipeline from the Algerian Sahara, completing a link that will eventually take supplies to other European markets.

The $2.3bn EU-backed project, including a connection to Portugal due to start operating next year, has taken four years to complete in the face of violent civil strife in Algeria and difficult relations with its neighbour Morocco, through which the pipeline passes.

The Maghreb-Europe venture replicates the existing Transmed pipeline, which carries Algerian gas to Italy by way of Tunisia and the Sicilian channel.

From the Hassi R'Mel gas field to Córdoba in southern Spain, some 638,000 tonnes of steel tubing have been laid and welded. Across the Strait of Gibraltar, the 48-inch pipe is divided into two, at depths of up to 400 metres. The 45km crossing, not made at the narrowest point because of strong currents, brings the gas ashore at the beach of Zahara de los Atunes.

The pipeline can carry about 10bn cubic metres a year, supplying Spain (6.2bn cu m by the year 2000), Portugal and possibly Morocco under its deal on transit rights. But additional compressor stations could double that capacity.

Algeria's Sonatrach is responsibls for a 530km stretch to the Moroccan border from where it comes under a joint venture controlled by Spain's Gas Natural group in partnership with Portugal's Transgas. For the last two years – while pipe-laying has been going on – the land border between the two countries has for other purposes been closed. Because of the tense relations, no agreement has yet been reached on when or where to stage a four-nation inauguration ceremony.

For Spain the venture is a calculated gamble. It has been constantly worried that the project, for which the Algerians contracted the US company Bechtel, would be held up by attacks by Islamic extremists against foreign employees. But the main delays have been caused by rain, and work has fallen no more than a few months behind schedule.

Spain had relied on supplies of liquefied natural gas from Algeria and Libya. Now it plans to diversify its sources through contracts for LNG from Trinidad and Nigeria and a larger flow of Norwegian gas. But its needs are expected to rise from 9.1bn cu m last year to 16.3bn in 2000. The proportion of that coming from Algeria, whether by pipeline or by ship, is set to increase from just under 50 per cent to almost 60 per cent.

Madrid has placed its faith in the belief that, whatever the government in Algiers, gas exports will have overriding importance.

Algeria's oil and gas sector generates 97 per cent of its foreign exchange. It is the second largest exporter of LNG and ranks eighth in the world in terms of gas reserves. Its four-year civil conflict has not deterred foreign companies from seeking contracts in the relatively underexplored south of Algeria, which has received top security priority. Last year British Petroleum signed a $3.5bn contract – Sonatrach's biggest joint venture to date – to develop gas fields in a remote southern area.

Sonatrach officials are confident they can garner an 80 per cent share of gas exports to the Mediterranean basin by the end of the century, despite the expected increased supplies from elsewhere.

Mr Ali Hached, vice chairman for marketing, says that by next year, Algerian gas production will reach nearly 50bn cu m per year. Every 1bn cu m of extra imports brings the Algerian government $80m.

According to Mr Ali Hached, vice chairman for marketing at Sonatrach, the company is already considering extending the pipeline by building a loop through fields under development. The BP deal calls for the building of yet another pipeline connecting the In Saleh area to be developed to Hassi R'Mel.

A feature of the BP contract was setting up a joint marketing company to sell gas in Europe. It is a precedent Sonatrach officials are eager to repeat. Having established itself as a main magnet for exploration and development, one of Sonatrach's priorities today is opening new export markets and directly marketing its products to customers.

WORLD TRADE NEWS DIGEST

Contracts & ventures

■ **TAIWAN** is inviting investment in a T$442bn ($16bn) high-speed rail project between Taipei in the north and the southern port city of Kaohsiung. The government aims to attract 40 per cent of the project financing from private interests. The 345km railway is to be completed in 2003.

Taiwan's parliament in 1994 lifted a ban on private sector investment in railway construction. The government grants tax and credit incentives for such investment.
Laura Tyson, Taipei

■ **ROMANIA**, central Europe's only significant oil producer, has delayed by a month the deadline for bids for exploration and production rights on 15 new blocks after foreign companies requested extra time.

Shell, the Anglo-Dutch group, Enterprise Oil of the UK and Amoco of the US are among several western oil companies expressing an interest. On offer are 14 onshore blocks, with the 15th offshore in the Black Sea.
Virginia Marsh, Budapest

■ **CANADIAN** international engineering consultant and project manager SNC-Lavalin plans a $300m business centre in Kiev with Ukrainian builder Kyivmiskbud as its partner. It will comprise a convention centre, hotel, office tower, shopping centre and parking. The project has Canadian government backing and SNC is seeking outside investors.
Robert Gibbens, Montreal

■ **OLIVETTI** is leading a consortium which has won a L35bn ($23m) tender to equip Helsinki's transport company YTV with a ticket control system. *AFX, Milan*

China seeks year-end convertibility

By Tony Walker in Beijing

China planned to make its currency convertible on the current account before the end of the year, a central bank spokesman said yesterday.

Mr Ma Delun, assistant to the governor of the People's Bank of China, said there were "some procedural issues" to be completed, but China was close to complying with Article 8 of the IMF.

Current account convertibility will facilitate trade financing, remittances of profits and payments for services such as shipping and banking, including dividend and interest payments.

Mr Ma also said he hoped steps towards allowing foreign banks to engage in local currency business on an experimental basis would be "accelerated", but he could not provide a timetable.

Mr Dai Xianglong, governor of the central bank, told Reuters news agency yesterday that he hoped an announcement could be made by the end of the year opening the way for foreign banks to compete directly with local banks.

Foreign financial institutions are restricted to foreign exchange transactions, thus severely limiting their ability to expand their activities.

"I can make it very clear to you that we have won approval from the central government to allow foreign banks to conduct local currency business in Shanghai," Mr Dai said.

"By winning approval we are authorised to let foreign banks do local currency business in the Pudong area." Pudong is the new special economic zone, across the Huangpu river from Shanghai's main business district.

China has proved reluctant to allow foreign banks to engage in local currency business, fearing undue competition for its own banks, which are seeking to streamline their activities.

State Council, or cabinet, has approved new regulations clearing the way for a select few foreign banks to take deposits and make loans in local currency under a pilot scheme.

Mr Ma at a briefing with foreign reporters said that in the first nine months China had met its "preliminary" growth and monetary targets. Economic growth had reached 9.6 per cent, inflation was down to 6.6 per cent and foreign exchange reserves stood at $95.36bn, up $21.8bn since the beginning of the year.

The broader M2 measure of monetary growth was 26.8 per cent in the nine months compared with a target of 25 per cent. Household savings were up 34.5 per cent on the same period last year.

Rao indicted in new court case

By Mark Nicholson in New Delhi

Mr P.V. Narasimha Rao, India's former prime minister, yesterday suffered two further serious legal blows, being indicted in a case alleging his complicity in a vote-buying affair just hours after making an unprecedented court appearance to face separate charges of criminal forgery.

The fresh charge tightens the legal snarl around Mr Rao, who must also appear before yet a third Delhi court next week to answer charges in a swindling case. He has protested his innocence in all three cases.

The indictment may also prove a lethal political blow to Mr Rao, who led the country from 1991 until leading Congress to a heavy defeat in the May general elections. As prime minister, Mr Rao was credited with introducing sweeping reforms to liberalise India's previously state-controlled economy.

In yesterday's indictment Mr Rao was charged with two former cabinet colleagues, Mr Buta Singh and Mr Satish Sharma, of having paid $100,000 to members of the Jharkand Mukti Morka (JMM), a small regional party, to secure their votes in a 1993 parliamentary confidence motion, which Congress narrowly won. Four JMM leaders were also charged.

In a heavily guarded makeshift courtroom, Mr Ajit Bharihoke, the presiding Delhi judge, ordered hearings to resume next Tuesday. The vote-buying charges carry a sentence of five years in jail, while those in the other two cases carry seven-year sentences. Lawyers for an impassive Mr Rao claimed the vote-buying charge was "fabricated".

The 75-year-old Mr Rao resigned as Congress president last month after being charged in the criminal forgery case. This alleges his complicity in a 1989 plot to smear Mr V.P. Singh, a former prime minister, by falsifying documents purporting to show that his son held an illegal foreign currency account in the Caribbean island of St Kitts.

Mr Rao is due to appear before a lower Delhi court next week where he is expected to be formally indicted for alleged conspiracy in 1983 to defraud a London-based businessman of $100,000. Mr Rao was summonsed in the case in July.

The vote-buying indictment is likely to jeopardise Mr Rao's increasingly tenuous position as Congress's parliamentary leader and further sullies the party which had ruled India for all but four years since independence. Many senior Congress members were among 25 politicians charged in January in India's biggest-ever political bribes scandal.

Mr Rao's departure from the party leadership would be expected to accelerate attempts by Mr Sitaram Kesri, his successor as Congress president, to re-unite ex-Congress factions which split from the party before this year's poll, many over personal and political differences with Mr Rao.

Some of these factions are now part of the governing 13-party United Front coalition and Indian analysts believe moves to reunite Congress could lead either to a realignment of the coalition, or perhaps embolden Congress to withdraw its present external support for the UF and seek instead to form a fresh Congress government.

Bangkok challenge for Democrats

Ted Bardacke reports on election prospects for Thailand's main opposition

The old Thai political adage that rural people elect governments and Bangkok people bring them down has never seemed truer. Prime Minister Banharn Silpa-archa rose to the top via a traditional system of rural patronage but was unable to rule after offending the sensibilities of the capital's elite businessmen, vociferous press and finicky middle class.

With campaigning for the national elections on November 17 in full swing, Bangkok voters can break this cycle.

Although the city elects only 37 MPs out of a total of 393, a strong showing by the Democrat party would virtually ensure that Chuan Leekpai, its party leader and former prime minister, would regain the top post.

Battered by a land scandal, the Democrats won only seven Bangkok seats in the 1995 election; had they picked up just seven more, Thailand would have been spared the Banharn government.

According to opinion polls, Bangkok voters strongly favour Mr Chuan for prime minister over his main rival Gen Chavalit Yongchaiyudh, leader of the New Aspiration party (NAP), whose power base is in the impoverished north-east region. But down in Bangkok's political trenches, amid the overflowing canals, teeming markets and jam-packed streets, Democrat candidates face a rough road.

Judging from the candidates list, Bangkok's Constituency Two, covering the riverside communities and Chinatown, ought to be a walkover for the Democrats. The party is making a concerted effort to run as a team, yet analysts would not be surprised to see a 2-1 split in favour of the Democrats, less than the clean sweep Mr Chuan needs.

Its candidates in Constituency Two are Mr Marut Bunnag, a political veteran who is a former parliamentary president, Mr Sukhumbhand Paribatra, a university professor related to the Thai royal family, and Mr Supachai Panitchpakdi, an ethnic Chinese former central banker who was a highly regarded deputy prime minister in Mr Chuan's administration. Both Mr Marut and Mr Supachai have been elected in the three-seat district before.

Yet with Gen Chavalit's NAP enjoying little support in the city, Democrats will not be able to raise the Chavalit versus Chuan issue directly. Instead, they will come up against the moral crusading Palang Dharma party (PDP), arguing that while PDP may be the Democrats' natural ally, on the national level any seats PDP wins will improve Gen Chavalit's chances.

"But its not going to be easy," says Mr Sukhumbhand. "The Democrats are accepted [in Bangkok] but Palang Dharma has been in control of this constituency and has a well established connection with the people."

As they campaign, the Democrats are reminded that while Bangkok voters may pay some attention to national issues, their voting is mostly driven by local concerns. Vote-buying is arguably less of a factor in Bangkok than in rural areas, but in each small neighbourhood the Democrats still rely on a local *hia* (Chinese tycoon) who introduces them to his patrons as they talk about community problems.

Similarly, the candidates must pay their respects to the abbot of the nearby temple and also greet old friends from university or the civil service, all the while being followed by party helpers who hand out candidate cards and make detailed lists of the homes of potential supporters.

Bangkok party politics is increasingly a well driven machine and this is likely to favour the Democrats' city rival, the conservative Prachakorn Thai party, which runs a smooth and effective party machinery in the slums.

The PDP's hammering away at the land reform scandal, which brought down the Democrats in 1995, is also on many voters' minds. "I'm not going to vote for you unless you get rid of Suthep," car mechanic Mr Bunsong Sumsawat tells the candidates, referring to the former agriculture minister and Democrat party figure most directly blamed for the land reform scandal.

The ethnic question in what is a predominantly Chinese district is another issue. Mr Chuan's parents are Chinese and historically the Democrats fought for the Chinese right to vote. But the party also opened up dormant racial tensions during the no-confidence debate in September which brought down the government, by attacking Mr Banharn for lying about allegedly being born in China.

The ethnic issue favours Ms Orathai Kanjanachusak, the 29-year-old daughter of Chinatown's top boxing promoter. Leading the PDP team in Constituency Two, Ms Orathai charges through Chinatown's back streets, cordless microphone in hand, reading out the names of the Chinese-owned businesses she passes and preaching the PDP gospel.

"It doesn't matter whether Chuan or Chavalit is the next leader," she says. "We can join any party that forms a government with a cabinet that is acceptable to the people and promotes political reform."

Taipei denies trying to fund Clinton campaign

By Laura Tyson in Taipei

Taiwan's president, Mr Lee Teng-hui, yesterday denied accusations that his ruling Nationalist party, or Kuomintang, had tried to donate $15m secretly to help finance US president Bill Clinton's re-election.

In its latest edition, Hong Kong-based Asia Week magazine reported that Mr Liu Tai-ying, a close adviser to Mr Lee and the head of the Kuomintang's business empire, had offered to contribute the funds in meetings with Clinton aides.

Mr Lee said the party had "absolutely" no such plan and he had never authorised Mr Liu to make such an offer. He supported Mr Liu's plan to take legal action against Asia Week for the report, saying that it was necessary to defend the reputation of the country and the ruling party.

This was the first time Mr Lee had stepped into a widening fracas over controversial Taiwan-derived contributions to Mr Clinton's campaign fund.

Undaunted by the threatened libel suit, Asia Week said it had been working on the story for six months and promised further revelations in its forthcoming issue.

Opposition lawmakers in the Legislative Yuan, or parliament, attacked the Kuomintang (KMT) for its policies of "money politics". "The KMT assumes that money can solve any problem, but this is actually the biggest obstacle for Taiwan to establish a good image in the international community," said Mr Lee Chun-yi, a lawmaker from the Democratic Progressive party (DPP).

The DPP criticised the government for conducting foreign policy like an "undercover operation" and preventing supervision by the legislature. The leading opposition party called on the government to disclose details of its "secret foreign policy budget", a reference to a funds the foreign ministry may use at its discretion.

MP touches raw nerve on Asian immigration

Canberra calms race row

By Nikki Tait in Sydney

Australia's federal parliament yesterday tried to cool an ugly race row amid concerns it would damage the country's trade with its Asian neighbours. At the centre of the furore is Ms Pauline Hanson, an independent MP who in a maiden parliamentary speech warned the country was in danger of being "swamped by Asians".

To many Australians, Ms Hanson's views are simply strident and ill-informed and though they have touched a raw nerve few critics have condemned her outright. Mr John Howard, prime minister, has refused to criticise Ms Hanson directly, although he has reaffirmed the government's commitment to a non-discriminatory immigration policy. Mr Tim Fischer, federal trade minister, has warned that trade and the sale of education services could be affected.

The prime minister's apparently weak response has provoked comment in Asian newspapers in Singapore, Hong Kong and Indonesia, some hinting at an adverse economic fall-out. In Thailand, the high-selling Nation, said: "If Asian parents decide not to send their children to Australian schools, if tourists stay away, if traders go elsewhere for their wheat and coal, Howard will have himself to blame."

Australia's federal parliament yesterday responded by passing a motion which called for all Australians to be treated with equal respect "regardless of race, colour, creed or origin".

Ms Hanson, who was deselected by the Liberal party ahead of last March's election but still won a traditional Labor stronghold as an independent with a huge swing, was conspicuously absent from parliament for yesterday's vote. She had previously criticised money spent on Aboriginal welfare.

Although Australia's Asian-born migrant intake has increased significantly over the past two decades, only 38 per cent of settlers arriving in Australia in 1995 fell into this category. Moreover, Asian-born Australians amount to about 5 per cent of the total population.

Unemployment in Australia remains stubbornly high at 8.7 per cent. Partly because of this, the government has already announced that immigration numbers will fall by around 10,000 to 86,000 in 1996-97.

ASIA-PACIFIC NEWS DIGEST

IMF-Pakistan loan agreement

Pakistan last night reached an agreement with the International Monetary Fund on the resumption of a crucial $600m standby loan, a senior government official said. A formal announcement is expected today. The IMF suspended disbursements from the loan after Pakistan's annual budget earlier this year failed to meet the fund's expectations. The country's official foreign exchange reserves this week fell to $718m from $1.7bn in June.

The government, in response to IMF criticism, recently introduced an emergency budget involving austerity and tax-raising measures designed to reduced the budget deficit to 4 per cent of gross domestic product. These measures and a devaluation on October 22 paved the way for last night's agreement. The first disbursements from the standby loan may, however, take about five weeks to be released, after a formal approval by the IMF executive board.
Farhan Bokhari, Islamabad

Australian trade gap widens

Australia's current account deficit widened significantly, to A$1.69bn (US$1.34bn) in September – prompting Mr Peter Costello, federal treasurer, to emphasise the urgent need to raise the country's national savings performance. "While there has been some improvement in the current account deficit this year from 1995, today's higher-than-expected figure shows there is no room for complacency in the effort to boost national savings and reduce the risks posed by our large current account deficit and foreign debt burden," he said.

The unexpectedly poor result was because of a fall of nearly 3 per cent in merchandise exports. Imports rose only 0.5 per cent. Most private-sector economists had predicted a current account deficit of around A$1.2bn-A$1.3bn. In 1995-96, Australia's current account deficit totalled just over A$20bn, and the federal treasury is forecasting a similar result for this financial year.
Nikki Tait, Sydney

IEA-China co-operation

The International Energy Agency yesterday stepped up co-operation with China in an agreement signed between Mr Robert Priddle, the agency's executive director, and China's State Planning Commission, which approves all medium- to large-scale energy projects in China.

The scope of co-operation will include foreign investment and trading in the energy sector, as well as energy supply security. Under the agreement, the IEA will review Chinese energy policies. Co-operation will be through seminars, workshops and conferences, as well as exchange of experts and scientific and technical research results. China is already the world's third largest producer and consumer of energy and ranks fourth in the world in terms of total installed electricity generating capacity. It is also the biggest producer of coal in the world.
Sophie Roell, Beijing

Strike hits Manila airline

Ground staff at Philippine Airlines went on strike last night after rejecting a compromise wage offer from the airline's management. The walk-out, which could paralyse international air services to Manila, is timed to maximise pressure on the government three weeks before it hosts a meeting of leaders of the Asia Pacific Economic Co-operation forum (Apec).
Edward Luce, Manila

NEWS: AMERICAS

Dole's poll drive runs into deep trouble as aides bicker over where to go and what to say

Campaign on edge of a nervous breakdown

There must come a moment in any losing campaign when the idea of defeat is liberating. That moment may now have arrived for Mr Bob Dole, Republican candidate for the presidency.

Mr Dole's campaign is imploding, publicly and embarrassingly, at exactly the time when the candidate seems finally to have discovered the joy of stump politics.

Campaign rallies are organised on a few hours' notice; aides laugh hysterically when asked where their candidate will be 24 hours hence. As Mr Dole's advisers bicker about where he should go and what he should say, his campaign aeroplane flies across the country looking for somewhere to land.

It is a campaign teetering on the edge of the absurd: on Tuesday, Mr Dole became so obsessed with the issue of landing the campaign plane that he kicked off his morning stump speech with this insight into travel arrangements: "I'm gonna try to get to Denver yet today and back into National Airport before 10:30pm before they send us to Dulles," he confided to voters eager to hear his vision of leadership.

Perhaps they understood that he was referring to noise restrictions which close Washington's National airport at night, diverting traffic to distant Dulles. Perhaps they did not. Either way, Mr Dole made that the goal of his campaign day: wheels-down before 10:30, National or bust.

But rather than embarrassing him, these brushes with the absurd seem strangely to have freed candidate Dole. Never a disciplined speaker at the best of times, he is now in full revolt. Any relationship between the prepared texts released by his campaign and his delivery seems to be entirely coincidental.

And his demeanour has been transformed: images of Mr Dole, darkly glowering and threatening that he will win the election "whether you like it or not" have given way to reveal a comic Dole, master of the stump one-liner. The transformation may not last – from the beginning, his campaign has suffered from a schizophrenia both of mood and message – but for now the candidate has been rejuvenated.

Shadow of a campaign: Dole's reflection is seen in his election jet *Reuter*

The effect is manic: instead of sticking to the kind of simple-minded theme which can easily be captured in television sound bites – the approach followed so powerfully by his opponent – Mr Dole serves up a smorgasbord of every stump speech he has ever delivered. He may begin talking about tax cuts, then detour via flag burning and parental choice in education, and end talking about the bombing of Iraq and campaign finance.

Teleprompter operators scroll madly to try to catch up with a speaker who has taken leave of his text. And as the speech careers to its close, the impatient candidate begins missing out words. On Tuesday in California, he remembered to say "tax," but forgot to say "cuts." Last week in Michigan, he promised that "with strong leadership, America's days will always lie ahead of us," and then repeated the sentence twice without noticing any omission.

But if Mr Dole has abandoned even his previous desultory efforts to speak in complete sentences, that may not matter: he now seems to prefer crowds which can finish his sentences for him – hard-core supporters. Yet even aficionados of Dole shorthand found it hard to understand what purported to be an attack on foreign campaign contributions to the Democrats, delivered at the Denver convention centre on Tuesday afternoon.

"Here's Mr Gandhi. Related to the late late Gandhi," Mr Dole told a Republican crowd, waiting patiently for the sequel. "He says, nobody knows about it but him...he scraped together 300,000 (*sic*) for the Clinton campaign, of course he owes 10,000 in back taxes, just a detail, don't worry about it."

And that was it, the candidate was off to another issue, flag burning. He wrapped up his speech by saying "the list goes on and on, thank you very much," and then simply stopped speaking. Within moments, he was out the door and on the way to his aeroplane, and National airport. "National, here we come," he shouted. He did not mention the White House.

Patti Waldmeir

US economic growth rate falls to 2.2%

By Michael Prowse in Washington

US consumer spending stalled in the third quarter, prompting a sharp reduction in economic growth, official figures indicated yesterday.

The economy expanded at an annualised rate of 2.2 per cent, less than half the 4.7 per cent seen in the second quarter. Growth of consumption slowed to an annualised rate of 0.4 per cent against 3.4 per cent in the previous period.

Separate figures showed new home sales edging down 0.5 per cent last month, but remaining 19 per cent higher than in September last year.

The Federal Reserve's latest "beige book" survey of regional trends pointed to modest growth in most regions in the first half of this month. But the Fed worried some bond traders by noting that "indications of upward pressure on wages continue to spread geographically and to grow in terms of affected occupations and ranges of skill levels."

The weaker data probably came too late to influence the outcome of the US presidential election but lent some credence to Republican claims that the White House has exaggerated the economy's strength.

Senior Fed officials, however, will welcome the data as justifying their controversial decision last month not to raise interest rates. The gross domestic product figures also provided further evidence of ebbing inflationary pressures.

A broad index of prices rose at an annual rate of 1.9 per cent in the third quarter against 2.2 per cent in the second quarter.

Growth in the third quarter largely reflected a big jump in corporate inventories – stocks of unsold goods. Business equipment investment was also much stronger than forecast, growing at an annualised rate of 18.9 per cent in real terms, compared with 6.7 per cent in the second quarter.

Economists said growth now depended mainly on the outlook for consumer spending.

Some rebound was likely because personal incomes had grown sharply in real terms in the third quarter. But the high level of inventories could exert a drag if companies reacted by cutting production to bring stocks into line with less ambitious sales projections.

"It seems likely that we will see stronger gains in consumption in coming months," said Mr John Lipsky, chief economist at Salomon Brothers in New York. "But output gains will remain modest."

Mr Mickey Levy, a senior economist at NationsBank in New York, said the figures showed the economy's "underlying strength is still very sound." There was no reason to expect an increase in interest rates in the foreseeable future. "The next move could well be a lower federal funds rate," he said.

Wall Street begins to get edgy at a runaway Democrat victory

Wall Street analysts are starting to fret over the outcome of next week's US elections.

Until the last week or so, it looked like being one of the least nerve-racking contests Wall Street could remember. The re-election of President Bill Clinton is viewed as a foregone conclusion; and since Mr Clinton has presided over the bull market of the last two years, more of the same is just what the markets want.

But this desirable continuity could be broken if, as a growing number of observers now believe possible, the Democrats not only hold onto the presidency but also wrest both houses of Congress from Republican control. Such a change could be felt not only in the stock and bond markets, but also in policy issues affecting the financial industry.

So far, the markets are largely ignoring this threat, either because they think the swing will not happen or will not matter. But a number of market strategists, who advise clients on their investments, have begun to highlight the dangers.

"A scenario in which the House and/or the Senate reverts to Democratic control would probably provoke a knee-jerk reaction in the stock and bond markets," wrote Mr Charles Gabriel Jr, a strategist at Prudential Securities last week.

Broadly, the fear is that the fiscal conservatism of Mr Clinton's first term could soften if he had the backing of both houses of Congress – which he had at the start of his presidency.

Some strategists hold that the success of the Clinton administration in bringing down the budget deficit from 6 per cent to 1.5 per cent of gross domestic product in the last four years is partly the result of the modifying influence of a Republican Congress for the last two years. Without this split, the reduction in welfare benefit entitlements would not have been feasible.

"Clinton could prove to be a very different president with a Democratic Congress," said Ms Gail Dudack, equities strategist at UBS Securities. "A good part of the slowdown in government spending can be attributed to Congress not to Clinton."

The immediate impact of any signs of free-spending would be on the bond market, potentially pushing long-term bond yields back above 7 per cent. But with stock market valuations already looking stretched after a long rally, any bond market weakness would probably be mirrored in the stock market. "The stock market has never done well with bond rates over 7 per cent," Ms Dudack says.

Some take a more sanguine view. "President Clinton has been one of those rare politicians who actually tightened fiscal policy in his first term," said Ms Abby Cohen, a strategist at Goldman Sachs. "It is unlikely the administration, which is proud the deficit has shrunk... would risk reversing that accomplishment."

Some sectors of the stock market are particularly vulnerable to fears of what a Democratic sweep might bring: tobacco and healthcare are obvious targets. The healthcare sector performed poorly in the first half of Mr Clinton's first term, because of fears of the impact of planned healthcare reforms. When the plans were shelved, the stocks recovered, but they could come under fire again.

The special interests of Wall Street itself could also be hurt by a Democratic sweep of congress, despite the industry's traditional skill at keeping both sides sweet with generous campaign contributions.

There is one big issue facing the industry: the long-delayed abolition of the Glass-Steagall Act, which separates investment and commercial banking activities. Congress has taken a number of runs at it and it will be back on the agenda next year.

In practice, the division has largely been eroded, since most securities firms now lend to companies, and many commercial banks underwrite securities. Furthermore, the 10 per cent limit on the proportion of a commercial bank's revenues which can be derived from investment banking is about to be increased to 25 per cent. But the rules still prevent banks from using capital efficiently, they say.

"What we are dealing with now is a situation where there are all kinds of rules based on a structure put in place in 1933, that does not fit the real world," said Mr Cory Strupp, head of government relations at J.P. Morgan.

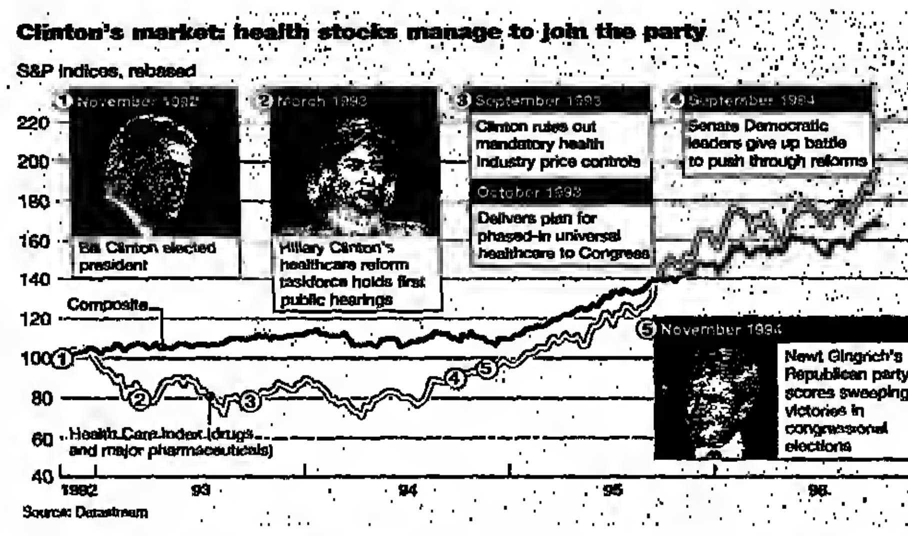
Although the issue does not divide politicians along party lines, a swing to the Democrats could hurt the chances of modernising the structure of the industry, because of the power of the Senate and House banking committees. Democratic control of the Senate would mean that the current head of the banking committee, Mr Alfonse D'Amato, would probably be replaced. The leading contender is Democrat Mr Paul Sarbanes, one of the members of the committee who helped bring in restrictions on banks' securities subsidiaries in 1991.

But if the Senate remains Republican and only the House reverts to Democratic control – the more likely scenario according to some analysts – the chances of finally bringing down Glass-Steagall would be better, analysts believe. Mr John LaFalce, likely Democratic head of the house banking committee, and Mr Jim Leach, the Republican incumbent, favour reform.

But financial modernisation is not a make-or-break issue for Wall Street. Given a theoretical choice, Wall Street would undoubtedly plump for a couple more years of bull market conditions and a slightly outdated and inconvenient industry structure.

Tracy Corrigan

Clinton's market: health stocks manage to join the party



Source: Datastream

How to crack secret computer codes

By Tom Foremski in San Francisco

Researchers at Bellcore, the US telephone industry research laboratories, plan to publish on the Internet this week technical details of a new method of cracking encryption systems used to protect computer data.

Previous efforts to decode computer ciphers have relied upon multi-million dollar supercomputers, but the Bellcore method can be performed on a standard personal computer, though it requires considerable computing expertise.

The approach relies on spotting errors made by computers and applying a mathematical equation to work out secret encryption codes. Since all computers make occasional errors, this makes any computer encryption system vulnerable to attack.

The Bellcore discovery of an apparent loophole in computer security systems could have a broad impact. Encryption is used in banking computer networks that move millions of dollars worth of transactions a day. On the Internet, there is increasing use of encryption to safeguard electronic commerce. Smartcards also rely upon encryption to prevent fraud.

Bellcore's method is theoretical and has not yet been tested in a real life situation.

"Just because it is a theoretical technique does not mean it will not have a practical impact," said Mr Peter Neumann, a computer security expert and principal scientist at SRI, a California research and consulting organisation. "The Bellcore technique reminds us that no computer system is absolutely secure."

The Bellcore researchers have focused on breaking the security of encryption technologies such as those developed by RSA Data Security. RSA's encryption is embedded in PC software products such as Microsoft Windows, Netscape Navigator and Lotus Notes.

"The Bellcore work is interesting but it doesn't represent any threat to the underlying encryption algorithms that we use," said Mr Matt Robshaw, a research scientist at RSA Data. Hackers using the Bellcore method could be thwarted by simple programming changes, he said.

Bellcore insists that posting the information on its Web site will not make it easy for anyone to use it for criminal ends. This is very sophisticated math," said Mr Bill Barr, executive director of information networking at Bellcore. "The only people who will understand it are other cryptography experts."

By publishing their findings, the Bellcore team aims to interest other researchers in studying the technique, thus advancing cryptographic technology. Previous disclosures on the Internet of security loopholes have, however, also armed hackers with new methods of attack.

First, bribe your customs officer

David Pilling on the political fallout from smuggling, Argentine-style

When a shipment of 2,000 bicycles, supposedly costing only \$1.78 each, slipped smoothly through Argentine customs, wheels began to spin at the Unión Industrial Argentina.

The UIA, which represents leading manufacturers, had long been investigating smuggling and under-invoicing, and denounced the bicycle incident as a blatant example of customs fraud.

After dallying for more than a year courts ordered the bicycle importer to pay more realistic duties. By then the company had vanished.

Mr Eduardo Cassullo, UIA executive director, has two fat folders crammed with similar incidents: Coca-Cola trucks streaming unhindered over the Paraguayan border; container-loads whose contents bear no relation to accompanying paperwork; and smuggled TV sets, complete with phoney guarantees, sold by respected supermarket chains. Despite repeated UIA warnings that Argentina's customs were nearly out of control, the authorities failed to act.

This month something changed. A judge launched a series of raids which discovered millions of dollars worth of smuggled perfume, video recorders, sports gear and clothes secreted in dingy warehouses or lining the shelves of well known stores.

Figures are hotly disputed, but the government estimates that, during the past four years, up to \$10bn of merchandise has been smuggled into Argentina through the "underground customs".

President Carlos Menem, previously criticised for not pursuing official fraud with sufficient vigour, immediately appointed a special administrator to the customs service and declared all-out war on corruption. If government officials fell in the process, he said, so be it.

The "underground customs," according to Mr Cassullo, is fuelled by an unhealthy cosy relationship between customs officials and brokers who – until this month – were required to act on behalf of importers. "Can you imagine what happens when you have a corrupt business, a corrupt broker and a corrupt customs officer?" asks Mr Cassullo. "They funnel the stuff through like crazy."

But the funnel is often blocked for legitimate importers, says Mr Cassullo. For them, there is "a tremendous amount of red tape... And if you don't pay some kind of 'toll', maybe a vital piece of paperwork will go missing."

Menem has unleashed the prospect of an Italian-style sweep of skeleton-filled cupboards

Mr Menem, whose popularity has plummeted since his re-election last year, has now seized on the anti-corruption issue, perhaps hoping it may prove a vote-winner.

But the strategy has already proved dangerous. In launching a clean-up campaign, Mr Menem has unleashed a wave of accusations against members of his own cabinet, raising the prospect of an Italian-style sweep of skeleton-filled cupboards.

The principal finger-waver has been Mr Domingo Cavallo, sacked as economy minister in July and highly sensitive to accusations of fraud at a customs service which he once controlled.

Among his targets has been Mr Carlos Corach, interior minister, who Mr Cavallo alleges used to boast of his ability to manipulate the judicial system, even writing the names of acquiescent judges on the back of a napkin. Mr Corach has responded with a legal suit.

Mr Alberto Kohan, general secretary to the presidency, has also come under fire. In sworn testimony, Mr Cavallo has accused him of knowing that bribes were being paid to secure for IBM a \$249m contract with state-owned Banco Nación. Mr Kohan is considering legal action.

Asked recently whether he might run for president in 1999, Mr Cavallo joked that he would probably be in jail by then. As well as personal suits against him, several officials closely connected with Mr Cavallo are also under judicial scrutiny.

Mr Aldo Dadone, president of Banco Nación when the IBM contract was signed in 1994, was a Cavallo appointee. So was Mr Ricardo Cossio, head of a tax department that signed another allegedly suspicious contract with IBM. Mr Cavallo also appointed two heads of the customs service during the period it appears to have been leaking like a sieve.

Even Mr Menem has not entirely escaped the swirl of accusations. Mr Gustavo Beliz, a former interior minister, openly scoffed at the president's anti-corruption drive, alleging Mr Menem was not himself perceived by the public as entirely clean.

Certainly Mr Menem's tactics are risky. But, if he can prove Mr Beliz wrong by cleaning up his administration's image, the president could yet extract considerable political capital from the corruption issue.

Bank of England welcomes surprise move to control inflation

Shares hit as rates rise to 6%

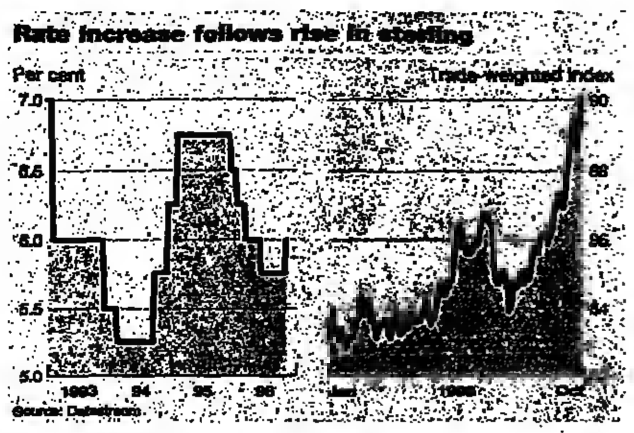
Financial Times Reporters in London

Mr Kenneth Clarke, the chancellor of the exchequer, unexpectedly raised UK interest rates by a quarter-point to 6 per cent yesterday, leaving the financial markets looking for further increases in the run-up to the general election.

The Bank of England, which opposed Mr Clarke's last rate cut four months ago, welcomed the move and said that it had improved the chancellor's chances of hitting his inflation target.

"Moving now to moderate the accelerating pace of the economic upswing is likely to mean that we will need to tighten policy less than we would otherwise," said Mr Eddie George, the governor of the Bank of England.

Mr Clarke said that the economy was set to grow by more than 3 per cent next year and that a rise in rates was now desirable: "Experience has shown that, by increasing rates early, as I did in 1994 and am doing today, possible inflation can be nipped in the bud."



City of London analysts predicted that the chancellor would now try to hold rates stable until the election, which is expected in April or May. But short-sterling futures contracts predict a further quarter-point rise in rates by Christmas and almost half a point by the spring.

The chancellor's move also prompted speculation about his intentions in next month's Budget. Mr Michael Dicks, economist at Lehman Brothers, said Mr Clarke's display of prudence would make it easier to cut taxes. "He is likely to reduce the tax burden on households significantly," he said.

The British Chambers of Commerce expressed alarm at the rate increase, noting that exporters would be hard hit as it made an already strong pound even stronger. The pound closed at 90.2 per cent of its 1990 value against a basket of currencies, its highest for over two and a half years.

The three largest mortgage lenders said they had no immediate plans to increase the cost of borrowing. Builders, however, were concerned that rising interest rates might upset the recent housing market recovery.

Shares reacted badly. The FTSE 100 index fell 29.6 points to 3,963.9. Government bonds, which sometimes benefit from displays of monetary rectitude, fell: the benchmark 10-year issue dropped a quarter point.

Mr Richard Kersley, UK equity strategist at Barclays de Zoete Wedd, said the markets had been assuming the chancellor would deliver a cautious Budget so he could hold the line against interest rate rises: "Now the concern is that raising rates will mean a giveaway Budget, which will hit gilts, or that the chancellor could try to cut personal tax at the expense of the corporate sector, which will hit equities."

Chancellor looks to election

By Robert Peston, Political Editor

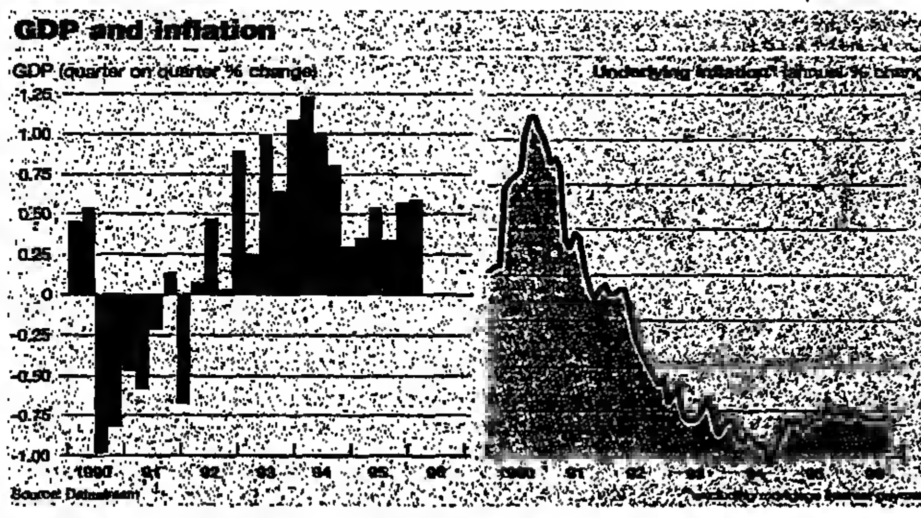
Mr Kenneth Clarke's main fear about yesterday's interest rate rise was that it would be interpreted by his ever hopeful backbench colleagues in the Conservative party as a coded message that he was making room for big tax cuts in the Budget to be held on November 26.

His fear was almost immediately confirmed. "If Ken is biting the bullet on rates, it means only one thing – he is going to give us a nice surprise on income tax," said one of the more volatile rightwing Tory MPs.

However, nothing could be further from the truth. There will be tax cuts in the Budget, but they will be relatively unspectacular – probably one penny off the basic rate of income tax of 24 pence in the pound, and a widening of the band at which the 20 pence starting rate is paid.

That is not to deny that politics played a big role in persuading him to raise interest rates by 0.25 percentage points.

His sights were fixed firmly on the general election – which he said in a House of Commons debate yesterday – would be "next spring".



There is little which terrifies Tory candidates more than the prospect that interest rates could rise close to the election. "I have cold sweats at night thinking about it," said a new candidate for a technically safe Tory seat.

Mr Clarke hopes that by damping any inflationary pressures now, he can reduce the risk that rates will have to rise in March, April or May next year.

● Households expect inflation to fall well below the government's target rate of 2.5 per cent by the end of next year – even though they think the economy will continue to pick up speed, Graham Bowley writes.

The latest survey yesterday by Business Strategies, the economic consultancy, showed consumers' optimism on the economic outlook and their household finances was stronger than at any time since the last recession.

Consumers expect inflation to fall to 1 per cent in a year's time, compared with 2.1 per cent at present.

Mr David Fell, Business Strategies director, said: "This is confirmation that expectations of lower inflation are becoming more and more embedded in the consumer mentality."

He said the survey of consumers' intentions, showing that worries of unemployment have declined, was "strongly positive".

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Farmers face lower EU prices

A revaluation of the "green pound", expected today, will mean lower European Union support prices for UK farmers, Maggie Urry writes.

The strength of sterling against the Ecu has triggered revaluation of the rate at which European Union intervention prices are translated into sterling. That would reduce, for instance, the compensation paid to farmers putting cattle into the slaughter schemes in the government's drive against BSE, or "mad cow disease".

Barring a sudden fall in the pound today, the new rate will be set after the markets close this afternoon. Yesterday evening, market experts at the Home-Grown Cereals Authority estimated the new rate would be 0.810264 based on yesterday's currency rates. That would represent a near 3 per cent revaluation from the rate set in mid-June.

Today's move would be the second revaluation after three years of devaluations following sterling's exit from the EU exchange rate mechanism in 1992.

Impact of Labour's tax plan assessed

By David Wighton, Political Correspondent

BAA, the UK airports operator, could face a much higher tax bill than expected if it is included in the opposition Labour party's proposals for a levy on "windfall" profits, according to calculations by the Financial Times.

The analysis shows that BAA could be liable for more than £500m ($790m) – almost a tenth of its current market value – if the total tax was £5bn. In contrast, British Telecommunications and British Gas might not pay anything, depending on the date at which liability was calculated.

The estimates are based on Labour's statements, which suggest "windfall" tax bills could be related to the total return to shareholders generated by privatised utilities.

On this basis, companies such as BAA, which have produced high returns for investors, would pay proportionately more. But those which have produced lower returns, such as the Scottish electricity companies, would face a relatively smaller bill.

Mr Gordon Brown, Labour's chief financial spokesman, has given little guidance on how the tax would be calculated and would not comment on the estimates. Nor would Labour specify which companies would be affected.

Initially, the stress was on water and electricity companies, but more recently Labour has indicated it could not rule out any privatised utility. BAA yesterday repeated its argument that it should not be included because that would affect its ability to fund investments.

Labour's justification for the levy is that the companies were sold off too cheaply, were then regulated too loosely and were able to exploit monopoly positions.

To measure these factors, Labour is understood to be planning to use total return figures, combining the rise in the companies' share prices with total dividends to shareholders. This would reflect any "windfall" from under-pricing at flotation.

If Labour were to adopt this method, much would depend on the date chosen for the calculation of liability. Because BT and British Gas shares have been weak in recent years, their total returns to the beginning of 1996 were below average.

But at the start of 1993, they had outperformed by 114 per cent and 89 per cent respectively. Allocating a total windfall of £5bn on this basis could leave BT with a £1.5bn bill and British Gas with one of more than £850m, a sum analysts said it might struggle to find.

Banks are told to contain lending growth

By George Graham, Banking Correspondent

UK banks are at "a critical stage in the banking cycle" and need to be on their guard against a rash expansion of lending, officials at the Bank of England, the UK central bank, have warned.

An editorial in a new publication produced by the Bank in association with the Securities and Investments Board, the umbrella City regulator, says that banks are now strongly capitalised and therefore well placed to expand their lending.

"But it is just at this point in the cycle that an over-expansion of lending can create problems for the future," says the editorial, which is signed "Prudence". "It is up to senior management to ensure that credit officers are not ignored in the rush for new business."

The publication, "Financial Stability Review", is part of an effort by the Bank and the SIB to be more open about objectives and limitations in regulation of the financial services industry.

In a joint introduction, Mr Eddie George, governor of the Bank, and Sir Andrew Large, chairman of the SIB, say that most of their work on risk management and financial regulation "has been carried out behind the scenes".

The review, which will initially be published twice a year, is intended to place "more of our ideas and research into the public domain," Mr George and Sir Andrew say. The Bank has been careful to note that articles in the review are not necessarily statements of its policy, but "Prudence" is thought, nevertheless, to reflect closely the views of officials in the Bank's supervision department.

Incentives may supplement controls on firms

By John Gapper, Banking Editor

City of London regulators may offer firms such as stockbrokers and fund managers incentives to improve controls, it emerged yesterday. This plan is aimed at combating internal fraud and malpractice.

Sir Andrew Large, chairman of the Securities and Investments Board, the City's chief watchdog, disclosed yesterday that the SIB was examining ways of rewarding financial firms that had good controls.

The SIB will issue a discussion document on the principles of "risk-based regulation" early next year. Sir Andrew said it wanted to eliminate any unnecessary regulation of well-managed companies that already controlled their risks well.

Techniques such as charging companies different levels of fees according to the degree of risk they appeared to be taking, or subjecting higher risk firms to more prescriptive regulation, could provide incentives and save money.

Sir Andrew said that increased competition among firms, and the breakdown of barriers between financial industries, could lead to companies being encouraged to take higher levels of risk to preserve their profitability.

He said that competition could lead some firms to "take ill-judged risks bordering on – or moving into – the reckless".

He said that in cases such as Barings and Jardine Fleming, regulations were not inadequate. Instead, the organisations' knowledge of its own business was lacking, and controls were "breached, or were even non-existent".

In companies where the top managers exerted strong control, peer group pressure tended to make individuals adhere to good practice.

Companies needed to examine three aspects of business more closely:

● There were risks in paying individuals a large amount to make them "star traders". This could create financial incentives to behaviour which was harmful, and could lead to serious long-term damage.

● If a unit trust or investment fund managed by an individual seemed to be achieving exceptional returns, asset management firms should ask if it was due to "superior expertise, or to undue risk, or even to some less desirable factor".

● If any business unit in a financial company appeared to be "super-profitable" then "management may need to be sceptical" about an individual who claimed to have "acquired the Midas touch" as a trader or salesman.

The Securities and Investment Board is to announce new measures to speed up efforts to compensate thousands of investors who were mis-sold personal pensions, Christopher Brown-Humes writes.

Its move comes amid new evidence that the pensions mis-selling review is far behind its target, with only a matter of thousands of investors so far compensated from more than 500,000 priority cases. The Prudential, the country's biggest pensions group, has compensated 10 people from 41,000 priority cases. Up to 1m potential cases of pensions mis-selling were identified by the SIB when it launched its review two years ago – relating mainly to people who did not join company schemes or who were wrongly advised to leave them.

The SIB believes that the main delay has been caused by occupational schemes failing to answer detailed inquiries from pension providers.

Rules to be toughened for cashflow statements

By Daniel Bögler in London

Britain's accounting watchdog is introducing what is described as the world's first genuine cashflow statement in an attempt to match company accounts more closely to actual business practice.

The Accounting Standards Board is radically reshaping its standard on cashflow statements in response to criticism that the original 1991 standard is vague on definitions and can be confusing.

Mr Allan Cook, the board's technical director, said: "The original cashflow statement helped us to catch up with international standards and this revision puts us ahead of the field."

Under the revised standard, a company's entire treasury activities will be grouped under a new heading – management of liquid resources.

Under the previous standard, investments in assets with maturities of less than three months, such as cash or commercial paper, were dealt with differently from assets with maturities of up to a year, such as government bonds. In practice, however, corporate treasurers tend to treat all of these as similarly liquid investments.

In addition, a new reconciliation will link the cash movements in an accounting period to changes in net debt. From now on, companies will show a figure for their net borrowings or net cash at the bottom of the cashflow statement which will be exactly the same as the figure that can be obtained from studying the balance sheet.

Net debt is widely used by companies, analysts and investors in the UK to calculate financial yardsticks such as the gearing ratio.

Sir David Tweedie, the board's chairman, said: "We have developed a cashflow statement that is simpler to understand and more descriptive of the way that business is conducted."

$1.5m damages sought over $9 computer part

By Peggy Hollinger in London

Bailiffs (court officers) were called to the head offices of Dixons, the big electrical goods retail chain, last week, in a dispute over a £6 ($9.36) computer cable device in which damages of up to $1.5m are being sought.

Mr Richard Wood, a London-based computer consultant and commodities dealer, is claiming $1.5m in damages after buying a faulty cable splitter which he says caused his business system to collapse in March.

Dixons has admitted that its cable splitter was defective, but is disputing the decision of the High Court in London to award a £22,000 interim payment, which was due on October 11. When payment was not made, the sheriff (chief court officer) sent in bailiffs, who took possession of several personal computers and printers.

Mr Wood, who is representing himself in the suit, said he intended to pursue his legal battle no matter what the cost. "They are not going to beat me," he added.

Mr Wood said he had offered to settle for £12,500 in May, but he had been rebuffed by lawyers for the company. Since then he has lost three contracts, two of which carried retainers of £1,000 a week, he claims.

Dixons said it was appealing against the interim payment. "Mr Wood has produced no evidence to support the alleged losses and the company's insurers are disputing the claim," it said.

Dixons added that if it were found liable for any costs it would expect these to be borne ultimately by Datech, the cable supplier.

Dixons is due to appear in the High Court today to request a further stay of execution on the bailiffs' warrant. The company's appeal on the interim payment is due to be heard in a private hearing by a judge on or after November 21.

UK NEWS DIGEST

World Service 'faces fund gap'

The BBC World Service could face a funding gap of up to £40m ($64m) in five years, Mr John Birt, BBC director general, said yesterday. He told members of the foreign affairs committee of the House of Commons that the worldwide radio service was already planning to cut costs by £8m per year over the next five years, as well as reducing its operations by 10 per cent by 2000. Despite cost cuts this year exceeding £6m, the committee heard that the World Service still faces a £5m deficit in its budget for 1996-97.

"This shortfall could lead to the disruption of up to six language services," said Mr Sam Younger, the World Service's managing director. The planned cuts will affect French language services to sub-Saharan Africa, and transmissions in Cantonese and Portuguese.

The committee hearing took place in the wake of a mid-October agreement between the government and the BBC to preserve the unique nature of World Service broadcasts while the BBC itself is restructured.

A BBC memo to the committee gave assurances that "World Service news and live current affairs programmes will be provided by a dedicated unit within BBC News". *Liam Halligan*

■ AIRCRAFT COMPONENTS

US companies in $9m project

US companies General Electric and Nordam are creating a joint venture company to repair aircraft components, with its European base in south-east Wales. The £6m ($9.4m) project will create 170 jobs and is due to be operational by next May.

The government's Welsh Office is providing grant aid. Mr William Hague, the chief minister for Wales, said: "We faced stiff international competition for this project, including Malaysia and France." Aerospace has become one of the leading industries in Wales, employing over 11,000 people.

GE already carries out aircraft repair work at Nantgarw in south Wales, where it took over a British Airways' plant five years ago. Some of this work is contracted out to Nordam in Oklahoma. The new factory will put these activities under one roof, creating what Mr David Rowe-Beddoe, chairman of the WDA, described as a "unique facility in Europe". *Roland Adburgham*

■ MAIL DISPUTE

Trade union seeks talks

The CWU postal workers' union yesterday said it would negotiate with the Royal Mail subsidiary of the Post Office in an effort to avoid disruption to Christmas mail. This was in spite of receiving a renewed mandate from members for further strikes in their long dispute over working rules. One-day strikes in the summer led the government to suspend the Post Office's monopoly over domestic letters for a month. *Andrew Bolger*

■ BCCI COLLAPSE

Fraudster freed from jail

The US government's attempt to extradite the convicted fraudster Mr Syed Ali Akbar to face further charges over the collapsed Bank of Credit and Commerce International ended yesterday when he was released from prison in the UK.

The US authorities decided yesterday not to appeal against a British High Court ruling that the UK Home Office had taken too long in dealing with their extradition request. Mr Akbar was then released from a London prison where he had been held for 14 months awaiting possible extradition over alleged offences of blackmail.

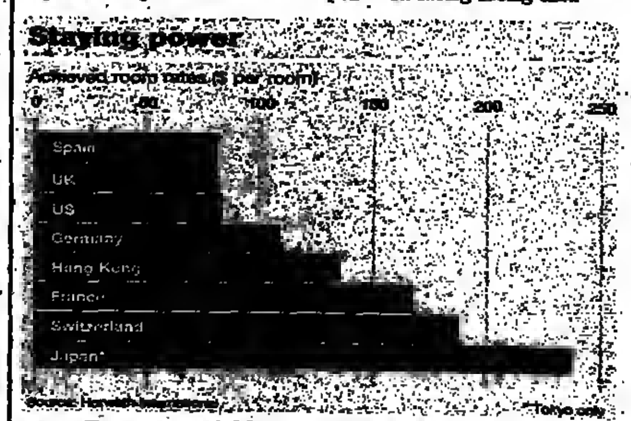
Mr Akbar, the former head of the BCCI Treasury division in London, was imprisoned in September 1993 after his conviction for fraud involving almost £500m held by the bank. *John Mason*

■ HOTELS

Room rates low in league table

The UK hotel industry recovered strongly from recession last year with increases in occupancy and room rates, but UK hotel room rates were well below those in many other countries in dollar terms, according to a survey from Horwath International, the hotel consultant.

The average hotel rate – the amount paid by a customer for a room – in the UK last year was $82. That was significantly lower than in Japan and Hong Kong and many European neighbours, including France, Switzerland, Germany and the Benelux countries. UK room rates were roughly on a par with those in the US, Spain and Brazil.



The survey shows that gross operating profits of hotels worldwide rose by 3.7 per cent in 1995 compared with the previous year. Asia performed particularly strongly in regional terms while luxury hotels showed the highest levels of recovery in sectoral terms. *Scheherazade Daneshkhu*

■ VEHICLE LEASING

Personal hire grows fastest

Personal contract hire of cars, mainly by individuals who have taken cash instead of a company car, has become the fastest-growing sector of the car leasing market, says the British Vehicle Rental and Leasing Association.

Private individuals, unable to reclaim value added tax but lured by the fixed, predictable costs offered by contract hire, accounted for 7 per cent of the 1.28m cars acquired last year on leases and contract hire, according to the BVRLA's figures.

This compares with 4.7 per cent in the previous year previously and 2.4 per cent – only 26,000 cars – in 1992. Even excluding personal contract deals, the leasing and contract hire of cars is continuing to grow, indicating that the company car remains one of the most valued parts of many employees' remuneration packages. *John Griffiths*

On the road

% of business	1992 %	1993 %	1994 %	1995 %
Corporate	[illegible]	[illegible]	[illegible]	[illegible]
Public Sector	15.4	11.7	12.2	14.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: BVRLA

ARTS

Cinema/Nigel Andrews

Where there's muck there's mush

These are grim times in Grimley. The mine is threatened with closure, the union is revolting and the brass band is on its uppers.

Conductor Pete Postlethwaite tries to hide his hacking cough from the lads, but we know he is headed for some serious hospital scenes. And trombonist Ewan McGregor falls for flugel-playing childhood sweetheart Tara Fitzgerald, who has made amends for her job with the Coal Board by joining the band. There is not a dry eye in the rehearsal room as she plays the famous concerto named after the Spaniard with the unpronounceable name. "Aranj-, Aranjue-, never mind," says Postlethwaite, "just call him Orange Juice."

Mark Herman's *Brassed Off*, by a writer-director with only one previous conviction (*Blame It On The Bellboy*), is a wonder. It is a measure of our trusting age that a plot that would have been considered too screwball by Monty Python now gets serious shrift from Channel 4 and even brought out a few hand-tissues at the press show. The miners' dispute is so distant in time that we can turn it into Puccini high opera rather than a Luddite last stand.

Even so, some audiences may blench at the two-dimensional dottiness going on here. In this North Yorkshire town circa 1992, every middle-aged male is henpecked, every wife is a harpy with a heart and the most tragedy-pursued character, abandoned by his wife even as the loan-sharks take away his furniture, has a moonlighting job as – yes – a clown. It takes a heart of stone not to giggle at the scene where he tries hanging himself in full Coco-style drag from a colliery yard-arm, long red shoes a-kicking in the breeze.

He lives, of course. (Do not read on if you wish to keep the film's other 'surprises' intact). So does Postlethwaite, who rudely rises from his deathbed to gate-crash the band's climactic Albert Hall triumph. By this time we have been so softened up by maudlin overkill – including the band's midnight rendition of 'Danny Boy', complete with hand-dimming of helmet lamps, outside the sick man's window – that we are powerless to protest. If we do, we get another speech from someone lamenting the Death of an Age.

These are rousing moments, no doubt, for anyone who believes that the miners should have been allowed to keep their jobs, regardless of economic sense or industrial realism. But then again if you believe that, the possibilities for elegiac movie agitprop become limitless. A cinema of lament for hansom cab drivers? For the spinning-wheel industry? The world does move on, however sad that is, and however reluctant some film-makers may be to follow it.

BRASSED OFF (15)
Mark Herman

LOADED (18)
Anna Campion

THE FAN (15)
Tony Scott

GLIMMER MAN (18)
John Gray

THE LAST SUPPER
Cynthia Roberts

★

The Fan has the horrible fascination of a car crash. Every correct mechanical component seems to be in place in this thriller plot about a stressed-out knife salesman (Robert De Niro) with a grudge against the baseball star he once idolised (Wesley Snipes). Then director Tony Scott drives the script straight from the showroom into an oncoming truck.

We refer to the flashy editing, gaudy filter photography and headache-inducing music. A strong cast might have resisted damage or even made a virtue of Scott's pop expressionism, as they did in his last film *Crimson Tide*. But this tale of a monomaniac scorned, whose hero worship turns to hate when a life-saving favour goes unthanked, has too many cipher-like characters, led by Ellen Barkin as a radio reporter. Can we please ban all media pundits from movie casts? We know that their only function is to deliver plot exposition while pretending to be real people.

Since the film was shunned by Americans, who know about baseball, one trembles to imagine what Europeans will make of the many leather-hitting scenes, interspersed with babble about Babe Ruth and batting averages.

With so little nourishment in the supporting cast and sporting background, we are left taking nibbles out of De Niro's performance. This Willy Loman of the hardware industry may not rank among the great De Niro roles. But the actor fattens himself up with idiosyncrasy even as we watch: the puffy face sweaty with bonhomie, the neck twists of a man life-sentenced to a collar and tie, the puckering chin of a professional Punchinello beginning to turn nasty. A great performer struts his almost great stuff: shame about the movie.

★

Shame about *Glimmer Man* too, though there are some saving graces in this largely thick-eared action romp. Steven Seagal shows signs of attempting to act. Here a subtly cantilevered eyebrow, there a wry line-reading. He plays a homicide cop with Zen Buddhist tendencies. He goes to work wearing Tibetan prayer beads and a pony tail and in one scene sports a startling gold lamé jacket. Perhaps Liberace remembered him in his will.

Few others are likely to. Mr Seagal hits first and asks questions later. He prefers to wait until people are unconscious before reading them their rights. And he has a particularly fine showdown with villain Brian Cox, whose southern accent must cause perplexity above and below the Mason-Dixon line. "Egg-nore him," Cox foolishly says early on of Seagal. But you cannot ignore a hero who in the declining years of Stallone and Schwarzenegger is becoming fisticuff cinema's leading star: a small but significant compliment.

★

Anna Campion's *Loaded* is about that most dangerous of gangs, a group of amateurs with a movie camera. To a decrepit country mansion come seven school-leavers planning to shoot a horror video. Blood soaks into the swimming pool, mist wreaths trees, bodies are hallucinated rising from makeshift graves. And that is even before these acid-tripping youngsters begin their day's filming.

Should we mention – or is it familyist – that Anna is the sister of Jane *The Piano* Campion? Both these Antipodeans dig for truth in the nightmare forests of the human Id. Both also destabilise that secure rectangle called the movie frame, shaking it, distorting it and filling it with surreal images. A 'real' bird flies out from a wallpaper design; a kitchen table palpitates and liquefies; finally, a joke murder proves a real one.

Though *Loaded* sometimes plays like the adolescent shenanigans it satirises – the film within a film looks like a splatter version of an Esther Williams musical – it has moments of imagination and even wit. "I think we should be looking at the human condition, yeah?" says the director early on, mouthing off as directors will in an attempt to dignify the undignifiable. But the human condition – and the condition of humans in this story's laboratory world of isolation, stimulus and growing mutual candour – is exactly what Campion's film does look at.

★

The Last Supper is a powerful curio: a filmed play about Aids acted by a performer (Ken McDougall) actually dying from it. Though Cynthia Roberts directs more austerely than even her minimal budget demands – couldn't we have had more than one remorseless light source? – McDougall, who died four days after filming ended, is a poignant, affecting presence.

Romantic overtures: Ewan McGregor and Tara Fitzgerald provide the love interest in Mark Herman's 'Brassed Off'

Theatre/Ian Shuttleworth

Best of the Wests

Portrayals of Falstaff tend towards either a knight who has grown old in the service of his dissipated, rumbustious life style, or an old knight whose youth is preserved by it.

Timothy West's fine performance, in Stephen Unwin's two-part production of *Henry IV* for English Touring Theatre, shows a man always conscious of his age as well as his bulk.

However, his is not so much a Falstaff who takes conspicuous joy in roistering as one who has forgotten that there is any other way to live. Lacking the energy either for amendment or serious misdeed (even his jokes, as they fall flat, are accompanied by a Frankie Howerdian "please yourself" shrug), he has acquired a kind of spent serenity, most evident in those scenes in which his enormous porkies are exposed: he neither misses a beat nor alters his tone as he switches to another face-saving tack, but exudes a charisma throughout which makes his rascally nature seem, for that instant, the most natural thing in the world.

The selling point of this tour is that Prince Hal is played by Samuel West. West the younger's blend of disarming foolery and a sincerity which is appealing even at its most grave renders him a natural Hal, and he scarcely disappoints.

His final denial of Falstaff in Part 2 is feelingly heralded at the end of Part 1's role-playing scene in the single line, "I do, I will". In each case, West conveys regret but a settled resolution upon his royal duty.

Although author and audience alike are captivated by Falstaff, Gary Waldhorn's King Henry maintains a strong presence at the core of the play, expertly charting the monarch's physical decline but never less than commanding even on his deathbed.

Paterson Joseph turns in an admirable pair of performances: in Part 1 a flippant, tactlessly immature but nevertheless attractive Hotspur (whose fatal battlefield encounter with Hal is a touching moment of youthful comradeship), in Part 2 a Pistol who undercuts his torrents of fustian rhetoric by switching from a West Indian declamatory bellow to a plain London twang as he translates his own babblings into English.

Likewise, Lucy Briers doubles as a spirited Lady Percy (almost a match for her husband Hotspur) and a Doll Tearsheet with more than a touch of Tasmanian Devil in her blood.

Unwin more or less maintains the balance between the high and low strands of action, although the rebels in Part 2 suffer from the lack of an audience-friendly "hook" such as Hotspur. The transition is palpably conveyed from King Henry's self-appointed task of unifying the land's governance to his son's keenly felt duty to unify its spirit.

After so many productions of entire Shakespearean historical tetralogies, whether edited or not (even John Caird's recent BBC television *Henry IV* included judicious helpings of extrinsic material), it is useful to be reminded that the unadorned pair of plays can stand by themselves.

Oxford Playhouse until November 2 (01865-798600), then touring until March 1 (including four weeks at London Old Vic beginning January 28).

Dance/Clement Crisp

Siobhan's poetic power

Since her very first choreographies over 20 years ago, Siobhan Davies has made dances distinguished by their refined, penetrating sensibility. Her work is "poetic" in its power to suggest an essence (rather than brute facts) about experience and emotion.

A cool surface has sometimes seemed too much of a mask over the feelings within. Yet in the past decade she has found a new bravery of technique, perhaps even an acceptance of the high value the world puts on her work, and what she does now is marked by an unassuming confidence – not bold nor gratuitous, but simply the assurance of a creator secure in her gift, and still adventurous.

This year she has made two new pieces. I reported on the earlier *Trespass* from a June performance in Sheffield. It was then somewhat cramped by its stage, and now, as part of a double bill by Davies' Dance Company at the Queen Elizabeth Hall on Tuesday, it looked more powerful, and perhaps slightly amended.

The theme is of an interaction – even an intrusion – between music (Gerald Barry's piano quartets) and design (David Buckland and Sasha Keir), and their demands and concessions as they meet the choreography.

What might seem an intellectual conceit becomes, in effect, a vivid exchange of ideas, forms, and one which does not become doctrinaire. The dance structure – gloriously done by Davies' cast of seven – is taut, by turns contemplative, rigorous, harsh. It has its mysteries, as it has its logic and its passions. The eye is held by conflicts, by sudden knots of gesture (the cast bulked together, exploring tightly controlled movement of arms and torso) and by the shifting pulse of the dance as it reacts to Barry's remarkable score.

This earlier text is relevant in considering Davies' newest work, *Affections*. Here the choreography moves on from ideas in *Trespass*, occasionally touching base to recall what we have earlier seen, but in essence creating a new and dazzlingly conceived structure, more open in its concern with the heart.

The score is Handel arias and dances, arranged by Gerald Barry for piano quintet and mezzo (the tremendous Buddug Verona James). Sasha Keir has made elegant unisex costuming in autumnal reds and yellows: full-skirted jackets that hint at 18th century coats, velvet trews.

We are aware of an historical precedent, perhaps, but the dance is wholly of our time, and – I'd hazard – lightly touched by the emotions of the Handel arias. Miss James is placed on a skeletal balcony on an otherwise bare stage.

Her singing is ravishing – every demand of the music met with dazzling command; the tone gloriously sustained – and no less so her presence: dressed like the dancers, she seems to set an emotional mood (that of the music, too) which spreads through the dance.

The vocabulary of steps, the dynamics of the dance, reflect back to *Trespass* and at times the quotations seem a re-shaping or a simple reversal of direction in what we had earlier seen. (The "knot" of gesture returns, but is re-worked. A luminous globe from *Trespass* reappears, and serves to recall an earlier incident in a duet, but here given greater weight of feeling). There is an elegiac mood to the dance as well as bravura, and an emotional reserve – it would not be a Siobhan Davies dance if anything were crass.

These 'affections' are not all happy, and in the most daring passage a girl simply walks over the stage, hands quivering, while the most sublime of the dances from *Il pastor fido* goes its exquisite way. Bold to a point beyond bravado, the dance works beautifully.

The evening, marked as always with Davies' work by the entire sympathy between design, lighting and dance, is testimony to Davies' commanding talent.

Musically it is distinguished, and it is performed with ideal elegance by the company. How welcome, and how fitting, that she won this year's Prudential Award. Her company can be seen this autumn in Manchester, Birmingham, Belfast, Finland.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Ivo Pogorelich: the pianist performs works by Chopin, Scriabin and Rachmaninov; 8.15pm; Nov 2

■ ATLANTA

EXHIBITION
High Museum of Art Tel: 1-404-733-4400
● Henri Matisse: Masterworks from the Museum of Modern Art: this exhibition features about 100 works by Matisse (1869-1954) in a variety of media.
All exhibited works are selected from the collection of the Museum of Modern Art in New York; from Nov 2 to Jan 19

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Michael Gielen perform works by Busoni, Manzoni, Mahler and Zimmermann; 8pm; Nov 1

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Il Barbiere di Siviglia: by Rossini. Conducted by Asher Fisch, performed by the Staatsoper Unter den Linden. Soloists include Jeffrey Francis and Gerd Wolf; 7.30pm; Nov 1

■ BONN

DANCE
Oper der Stadt Bonn Tel: 49-228-7281
● Giselle: a choreography by Valery Panov to music by Adam, performed by the Ballett der Oper der Stadt Bonn. The cast includes Galina Panova, Irina Zavialova and Pitirolk-Tanem Akkerman; 7pm; Nov 2

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Friederike Meinel: recital by the soprano, accompanied by pianist Corinna Söller. The programme includes Schubert's Hagars Klage, D5, An die Sonne, D270, Wiegenlied, D304 and other works; 8pm; Nov 3

■ DUBLIN

CONCERT
National Concert Hall – Ceolàras Náisiúnta Tel: 353-1-6711888
● Die Fledermaus: by J. Strauss. Concert performance conducted by Aidan Faughey and performed by the Orchestra of St. Cecilia and The Cantabile Singers. Soloists include Virginia Kerr, Kathryn Smith, Ivan Sharpe and Patrick Doherty; 7.30pm; Nov 2, 3

■ DUSSELDORF

EXHIBITION
Kunsthalle Düsseldorf Tel: 49-211-8996240
● Ana Mendieta. Performance, Foto, Zeichnung, Skulptur – Eine Retrospektive: retrospective exhibition devoted to the work of the Cuban artist Ana Mendieta (1948-1985). Included in the exhibition are slides, photographs, films, and videos of her performances, drawings, and sculptures; from Nov 1 to Dec 29

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24862612
● Thomas Rieck: exhibition of recent work by this contemporary artist, who tries to expand the limits of traditional drawing using lacquer and textile, and working with monotypes and photocopies; from Nov 1 to Dec 8

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● Die Zauberflöte: by Mozart. Conducted by Lothar Zagrosek, performed by the Hamburg Staatsoper.
Soloists include Yelda Kodalli, Gabriele Rossmanith, Simon Yang and Peter Galliard; 7pm; Nov 2

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Myung-Whun Chung perform works by Dvorák and Mahler; 7.30pm; Nov 3
Wigmore Hall Tel: 44-171-9352141
● Janina Fialkowska: the pianist performs Chopin's Fantasie in F minor, Op.49, Impromptu No.2 in F sharp, Op.36 and Nocturne in E flat No.2, Op.55; 7.30pm; Nov 1

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Colorado String Quartet: perform works by Parker, Reger and Ives; 2.30pm; Nov 2

EXHIBITION
MOMA – Museum of Modern Art, New York Tel: 1-212-708-9400
● Thresholds. Contemporary Design From the Netherlands: an exhibition of contemporary Dutch design, ranging from home furnishings to mailboxes. The display comprises 36 works created in the past ten years by such designers as Gijs Bakker, Hella Jongerius, Ninaber/Peters/Krouwel, Tejo Remy and Henk Stallinga.
The main focus of this exhibition is the spreading preoccupation of today's design with the environment and other political and social issues; to Nov 5

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Tabea Zimmermann and Christian Ivaldi: the viola-player and pianist perform works by Brahms and Shostakovich; 11am; Nov 3

DANCE
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Ballet de l'Opéra National de Paris: perform Serge Lifar's Suite en blanc to music by Lalo, Agnès de Mille's Fall River Legend to music by Gould and Ashton's Rhapsody to music by Rachmaninov; 2.30pm & 8pm; Nov 2, 4 (7.30pm)

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Michael Tilson Thomas and pianists Katia and Marielle Labèque perform works by Berio, Mozart, Copland and Debussy; 2pm; Oct 31; Nov 3

■ STUTTGART

OPERA
Staatstheater Stuttgart Tel: 49-711-20320
● Barbe-bleue: by Offenbach. Conducted by Ralf Weikert and performed by the Oper Stuttgart; 7.30pm; Nov 1

■ TAMPERE

JAZZ & BLUES
Tampere Jazz Happening Tel: 358-3-219 6751
● Nass el Ghiwane: with vocalists Omar Sayed, Rachid Batma, Radouane Raifak and Allal Yaala peform jazz music at the Club, as part of the Tampere Jazz Happening; 11pm; Nov 1

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Radio Symphonieorchester Wien: with conductor Peter Eötvös, baritone Dietrich Henschel, harpsichordist Márta Fábián and synthesiser-players Simon Stockhausen, Robert Spour and Wolfgang Mitterer perform works by Nodaira, Hosokawa and Eötvös. 7.30pm; Nov 2

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Andrea Chenier: by Giordano. Conducted by M. Armiliato, performed by the Wiener Staatsoper. Soloists include Luciano Pavarotti, Anna Gonda, Nelly Boschkowa and Heinz Zednik; 7.30pm; Nov 2

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Peter Martin

The courage to open up

The intranet, the latest fad for companies seeking to improve their internal communications, also offers a way for them to speak to the outside world

There's an intranet in your future, at least if you work for a big company. The surge of enthusiasm for intranets – user-friendly internal corporate networks using Internet technology – is producing heady growth for hardware and software suppliers. Netscape, which gets most of its sales from this market, reported revenues of $100m (£62.5m) in the three months to September, a 329 per cent increase over the same period in 1995.

Intranet frenzy is the latest corporate fad. But it is also a response to extraordinary returns on investment for the companies which have taken the plunge. A study by the consultants International Data Corporation* reports three cases where returns on investment on intranets have been over 1,000 per cent.

How can any project produce such remarkable returns? The answer tells us a great deal about past failures in computer investment policy, and about the way in which large companies organise themselves. Tha intranet fad is as at least as much a condemnation of past decisions as a triumph of the new.

A typical intranet uses a web browser, such as Netscape Navigator or Microsoft Internet Explorer, to access corporate web pages accessible only to staff members. Web design standards, including point-and-click "hypertext" documents, allow users to find their way quickly through large bodies of material. This might be mundane information such as staff lists, internal telephone directories, personnel handbooks and so on – but the act of making them instantly accessible and searchable from any branch office all over the world confers a benefit.

More valuable are sophisticated intranet applications that use the web to support a business process, such as the sales cycle. At Cadence Design Systems, a maker of computerised tools for chip design based in San Jose, California, the new intranet has become a "marketing encyclopaedia", to support every step in the sales process. Cadence already had many different types of computers, so tha hardware costs of adding the intranet were low – only $19,500 went on hardware out of the $1.4m the project is costing.

Because intranets draw on Internet technology, they are capable of adapting easily to pretty much all the types of computer and software in common use. They provide a friendly, modern front end to systems that otherwise are impenetrable to all bnt dedicated users.

The appeal of intranets thus lies in the way they link isolated islands of information technology investment, making sense at last of the huge sums spent to pnt personal computers on every desk, build corporate networks and construct huge databases. The paradox of big companies in recent decades has hean that, despite this huge investment, it is hard to measure significant gains in white-collar productivity.

There are measurement problems, of course, in capturing productivity changes in any service activity. But it is still naggingly obvious that the gains made through the automation of manufacturing processes or routine clerical tasks have not been repeated when computing power has been brought to bear on more high-level managerial or administrative activities.

Perhaps the mistake lay precisely in applying the model of computerisation originally developed for manufacturing or clerical processing to less easily definable areas of managerial activity.

The traditional approach identified a specific business problem – personnel management, sales-tracking, accounting, procurement – and tackled it as well as possible. The system was optimised for the individual problem and the individual department. It was typically hard for anyone not extensively trained on the system to understand it – departmental managers, for example, frequently did not understand the inner workings of the systems their staff were operating. Outsiders from other departments had even less chance of grasping what was going on.

Many companies saw the drawback of this piecemeal approach. But the alternatives were both unattractive. Building an integrated corporate system around a proprietary set of computing standards – such as those offered by IBM – was expensive. Worse, as competition intensified in the computer industry, the customer risked being left with a large and ageing collection of mediocre components, each of which was less effective than an alternativa bought outside.

Tha other alternative was to commit the company to "open systems", using non-proprietary standards. However, these rarely worked together as well as was promised – and there was no guarantee, of course, that the software components available for an individual implementation of an open systems approach were any more competitive than those availabla on proprietary systems.

In one sense, the intranet is merely the latest version of open systems, built on a shallower but more robust set of standards. These have so far stayed relatively consistent hoth because they must pass a aimpla hmt stringent test – do they allow effective communication over the Internet? – and because they are guided by a couple of effective ad-hoc industry bodies. The standards have limited objectives, so they stand a better chance of survival than more ambitious attempts at open systems standards-making.

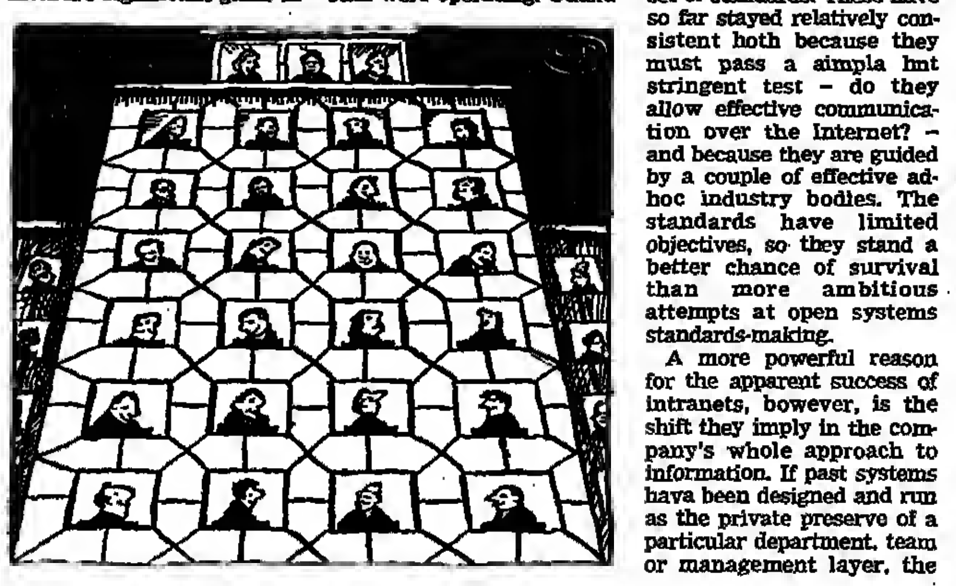
A more powerful reason for the apparent success of intranets, however, is the shift they imply in the company's whole approach to information. If past systems hava been designed and run as the private preserve of a particular department, team or management layer, the reason has lain, in part, in the fundamental assumption that internal corporate information was too valuable to be distributed widely around the company.

The intranet starts from the assumption that the shared information inside the company is one of its most important resources. In some cases, that is obvious – an example is the management consultants Booz-Allen & Hamilton, which has built an intranet to capture the combined knowledge of its partners, its essential stock-in-trade. But even in more conventional businesses, the shared know-how of the people who work in the business is an important asset, even if it consists of nothing more than detailed prodnct configuration options or lists of client contacts.

Making that information available inside the company to any other department, at a mouse-click, is an important change in culture. And it is this shift which is at least as much responsible for the high returns on intranet projects. An open corporate culture is such an obvious advantage, however, that it should not have needed a dinky little browser to bring it about.

The intranet has forced companies to address that challenge. But it also raises a bigger one: how much of their internal information should they make available to big customers, important suppliers or kay distributors? Breaking down internal barriers is difficult enough. Opening up the company to the outside world will require a scarcer resource than technology: courage.

**The intranet: Slashing the cost of business. Preliminary report by Ian Campbell, International Data Corporation, 5 Speen Street, Framingham, Massachusetts 01701, US*



ALL THAT GLITTERS: The Fall of Barings
By John Gapper and Nicholas Denton
Hamish Hamilton, 364pp, £20

A cautionary tale of greed and ignorance

Almost two years after Nick Leeson, that irritating baseball cap and error account number 88888 entered our lives, the authors of a new version of the collapse of Barings have a problem.

We have read the press reports of the crisis, and its protracted reverberations, we have seen the television documentaries, we may even have dipped into the three earlier books, including one by Leeson himself. We are suffering, in short, from rogue trader fatigue, pending that wave of instant nostalgia as one day he walks free from Changi jail.

If so, it is most unfair to the FT's John Gapper and Nicholas Denton. They have written a well-constructed, thorough, carefully nuanced and technically sure narrative of the most astonishing episoda in the history of the City of London.

Gapper and Denton rightly give much space to explaining why Baring Brothers was willing by the 1990s to countenance huge proprietary trading, indeed to rely on it for the lion's share of the profits. This is partly the story of Christopher Heath, the man who founded the lucrative broking business in Japanese shares that became Baring Securities. But it is also one of the larger changes inaugurated in the 1980s when most of the City's leading British banks (both merchant and clearing) embraced the world of securities and derivatives trading with little or no instinctive understanding of what they were doing.

Inadequately capitalised in several cases, and motivated by a mixture of hubris and defensiveness, they were chasing the American dream of integrated global investment banking. Too often it turned out a mirage.

Why did Barings so utterly fail to control that trading? Why did it go on sending out ever more lethal financial bullets to Singapore? The answer, we know from earlier accounts, was greed and ignorance, and Gapper and Denton amply confirm it. Around a third of the bank's apparent profits were attributable to Singapore-based derivatives trading – "pleasantly surprising", in the immortal words of Peter Baring, then chairman of Barings.

Whatever the accounting inconsistencies that were eventually detected during the winter of 1994-95, the far more mesmeric fact was that £102m in bonuses was due to be distributed at the end of February. Management has always been the City's Achilles heel, never more fatefully than in this case.

Gapper and Denton are less successful at the perhaps impossible task of penetrating the seemingly amoral head of Leeson, but they do convey well his chameleon character. "He was like a spy, able almost to change his very being in order to blend in," they write about his early years in the City, as a highly efficient settlement clerk who fantasised about becoming the proverbial big swinging dick on a trading floor. No one who has seen Leeson's television interviews could doubt his ability to turn on the charm.

Unfortunately, having been given the chance, he proved a hopeless trader. Tha pivot of the book is the summer of 1992 when, soon after setting up the Baring Futures operation on the Singapore International Monetary Exchange, he found himself in difficulties. Fearing an ignominious recall to London, he started on what would become a path of systematic fraud.

By the end he had almost stopped caring – an acceptance of his fate caught by the remarkable video footage of him on the Singapore trading floor in late 1994, staring blankly ahead and completely out of it. If he brought down "the Brothers" with him, what the hell.

Did it matter? The world's financial system was impervious, and the markets barely trembled. London continued its inexorable advance over Frankfurt and Paris as the dominant European financial centre. Even exchange-traded derivatives have largely resumed their phenomenal growth after a brief check.

In the end one returns to the story itself, at its most vivid in the often surreal telephone transcripts that Gapper and Denton have unearthed for those final, puzzling, belatedly anxious weeks at Barings in London. "I think we kind of go along a stumbling path, where we look at one thing at a time, and I think the dynamics are more complicated than that," says Mary Walz, the head of equity derivatives trading, at one point.

She and Ron Baker, her boss, then try to get a grip on Leeson's increasingly bizarre explanations of his trading. They find it impossible and Baker groans: "All this work just drives me nutty. I just want to retire."

In a drama that wrecked lives, tarnished the City's image if not its business, and brought shame on patricians and plebs alike, that anyway was one wisb that came true.

The author's history of Liffe, London's financial futures exchange, will be published in the spring. All That Glitters *is available from FT Bookshop by ringing Free-Call 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Body Shop challenges Shell to confront 'new business reality'

From Ms Anita Roddick.

Sir, Today, Shell and The Body Shop publish financial results – not the only thing linking our companies; today also marks the anniversary of the death sentence on Ogoni leader and writer Ken Saro-Wiwa.

The written word is powerful, especially when the writer languishes in an overcrowded Nigerian prison, awaiting the hangman's noose. I don't only refer to Ken's words, but those of the Ogoni 19; desperate young men who watched Ken die. They tell me in graphic detail of their physical suffering. Since 1993, when I met leaders of the Movement for Survival of the Ogoni People (MOSOP), their plight has been on my mind and that of The Body Shop international family. Ken was not among them, being detained before he could travel.

I never met him, although be spoka at our HQ about his likely fate in Nigeria. Nona of us saw him alive again. But I read his prison letters to his younger brother Owens whose family fled Nigeria with our help. I recently met him in the US where Shell faces a major campaign from the Sierra Club, one of America's largest conservation organisations.

In those letters Ken spoke of justice and the need for an intelligent solution with Shell – words of a principled pragmatist, not wild revolutionary rantings. Too late now for Ken. But maybe not for the Ogoni 19.

Shell will say their suffering is not its doing, that it does not interfere in internal politics or justice. The truth is somewhat different. Shell is hugely important to tha Nigerian dictatorship. It has real influence.

I hear that maybe things are changing at Shell. Perhaps past mistakes have been recognised. Is this fact or PR fiction? We will know through tha fate of the Ogoni 19, the withdrawal of Nigerian military from their villages and the Ogoni getting social and environmental justice.

Recently Shell called for a debate abont changing public expectations of transnationals, saying it is increasingly tough balancing short-term shareholder demands with those of wider stakeholders. Welcome to the new business reality. The vigilante consumer is here. Greenpeace, Friends of the Earth, Human Rights Watch and Amnesty International are not using Shell to get at politicians.

Transnationals are more powerful than political institutions. Business must have a moral agenda recognising its social and environmental impacts, reporting them honestly and applying these practices consistently. The same responsibilities and honourable behaviour for Shell in the Niger Delta as in the English Lake District.

I am ready to join this debate. Is Shell?

Anita Roddick,
founder & chief executive,
The Body Shop,
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Littlehampton,
West Sussex BN17 6LS, UK

Investment pact should be sought on both OECD and worldwide basis

From Sir Leon Brittan.

Sir, The letter that you published (October 30) from the US Council for International Business and the Securities Industry Association about the best way to open world markets for foreign direct investment is based on a total misunderstanding. The use of the OECD or World Trade Organisation to achieve this purpose are not mutually exclusive options.

The European Commission has made clear for more than two years now that we support firmly the OECD talks for a multilateral agreement on investments, due to be concluded next May. We want them concluded on time. We want an agreement to be open to participation by OECD members and non-members alike.

But European investors face most problems not when they want to invest in the US or Japan, but when they want to invest in non-OECD economies. That matters, because the European Union and its OECD partners now send more than half their overseas investmant not to each other but to the developing world.

It is not realistic to expect the dynamic economies of Asia and Latin America to sign up on a take-it-or-leave-it-basis to an OECD book of rules in whose compilation they have played no part. Hence the need for WTO to get involved.

On Tuesday the European Council of Ministers called for a decision by the Singapore ministerial in December that next year's work programme for the WTO should begin a broad-based examination in a specialised working group of the issue of trade and investment.

This work will of course take account of work under way in the OECD, and elsewhere, with a view to opening negotiations in the WTO for an investment instrument.

If, instead of fearing dilution and delay, American businessmen were to join Europe in the information campaign we have been pursuing for many months now in WTO, then I believe that this objective is attainable. Developing countries are coming rapidly to understand that it is in their interests as well as in the interests of net outward investors to ensure that there axists a stable international framework for capital flows.

Those in developed countries who really want new and more certain investment opportunities in the developing world should realise that developing countries expect to be fully involved in preparing international rules which are to apply to them. An OECD agreemeot will be a valuable achievement, particularly if we conclude on time.

But only by working in a truly multilateral forum and on a basis of equality with developing countries will we extend the principles of open investment worldwide.

Leon Brittan,
European commissioner for trade policy,
European Commission,
Rue de la Loi 200,
B1049 Brussels,
Belgium

Russian art sale a positive way of preserving assets

From Mr H.G. Hauser.

Sir, Your story headlined "Why Russia faces cultural meltdown" (October 29) is tragic and true. But it is also true that ownership obligates.

Huge amounts of art treasures are hoarded by the state, just as land has been hoarded – like a national sport – only to be ultimately neglected, if not brutally abused. While the state is asset rich the country is cash poor.

The sale of a single painting for hard currency would go a long way to preserve remaining art assets so that the state budget need then deal only with the payment of wages.

When tha state is cash rich again, it may be able to buy back what it sold. A small risk to take versus letting a whole people go to pot – already after decades of having endured unbelievable abuses.

H.G. Hauser,
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Miami, FL 33129,
US

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday October 31 1996

The strains of going global

The strength of Deutsche Bank's commitment to building an investment banking capability has hardly been in doubt. But in its choice of successor to the present chairman Mr Hilmar Kopper, the German bank's board has confirmed the thrust of its strategy. Mr Rolf Breuer not only has a background in the capital markets but has been closely associated with the attempt to develop an equity culture in Germany. He faces a formidable challenge.

The only commercial bank that has succeeded in turning itself into a plausible global contender in investment banking is J.P. Morgan of the US. That is a tribute to the quality of the American bank's management and the strength of its client list. But it also had the advantage of being in the world's largest and most innovative capital market.

Deutsche Bank, in contrast, is attempting a similar transformation from a country where conventional financial intermediation – deposit-taking and lending – is still the norm in corporate banking and where the stock market has been under-developed. Hence, in part, the decision to locate much of its capital market activity in London. Nor are the precedents for achieving a global presence in both commercial and investment banking encouraging.

The European bank that has come closest is Credit Suisse. But its CS First Boston arm has, to put it mildly, had its ups and downs. The cultures of the US investment bank and the Swiss banking giant have not bedded down conspicuously well.

The sight of Deutsche Bank throwing its huge financial resources at the investment banking challenge is nonetheless impressive. The question, which has already been raised in relation to Deutsche Morgan Grenfell, is whether it can find the right balance between tight control over its individualistic (and many would say greatly overpaid) traders and fund managers, and sufficient latitude to capitalise on their flair and inventiveness. Very few banks have managed to do that.

Apart from J.P. Morgan, Goldman Sachs has come close, working within a partnership structure, while Morgan Stanley has continued to do well since its flotation in the 1980s. Most others on Wall Street have been less fortunate. In the UK, merchant banks such as S.G. Warburg suffered from being run by corporate financiers who were at sea in the securities business.

Under the ownership of Swiss Bank Corporation, Warburg now flourishes, as does Barings under ING. But they will all be severely tested in the next bear market. The ultimate return on these global ambitions may well prove disappointingly small.

UK rates

Kenneth Clarke deserves two cheers for deciding to raise UK base rates yesterday. A quarter of a percentage point rise was probably the minimum needed to retain the credibility of UK monetary policy as the economy picks up speed. But the chancellor will merit a third cheer only if he decides to show the same prudence on Budget day.

Mr Clarke will doubtless make much of his willingness to tighten policy so close to the election. But it is worth remembering that the move merely reverses the chancellor's controversial decision to reduce rates in June. Eddie George, the governor of the Bank of England, thought then that it was a cut too far. And by all accounts he has thought monetary policy too loose ever since.

Economic data immediately following the June decision did not clearly vindicate Mr George. But recent evidence will have strengthened the governor's hand at yesterday's monthly meeting with Mr Clarke.

Last week's preliminary estimate of the growth in the third quarter showed the economy growing by 2.3 per cent. Rapid growth in the broad money supply, above-trend growth in consumer spending and rising manufacturing output all imply that growth will continue to accelerate. The latest compilation of economic forecasts from the research group, Consensus Economics, shows an average forecast for the UK of 3.3 per cent growth next year.

Of course, faster growth need not necessarily imply that policy needs to be tightened. But in a year's time the government's favoured measure of inflation is likely to be, at best, slightly above its target rate of 2½ per cent or less. Investors in government bonds are expecting inflation to be well above that level over the next few years. Against such a background, a modest tightening is wise insurance against having to impose larger increases in interest rates down the line.

Mr Clarke must be hoping that it will also throw some water on the now common speculation that the UK is heading for one of its inflationary pre-election booms. But an extremely frugal budget would be needed to douse that expectation completely – and yesterday's decision provided few clues about this either way. Indeed, many may draw precisely the opposite conclusion, that the chancellor thinks that, by showing some prudence on interest rates, he can create room for a giveaway budget.

With consumer spending and the pound on the rise, the combination of a modestly restrictive monetary policy and continued loose fiscal policy is the opposite of what the economy needs. It is, however, what investors – and most of the Conservative party – seem to expect. Mr Clarke must prove them wrong.

Bulgarian crisis

In one of the few imaginative moves in a dull Bulgarian presidential election campaign Mr Petar Stoyanov, the main opposition candidate, flew to Warsaw for talks with President Alexander Kwasniewski. He went to show the difference between Poland's former communists, who are making a success of the pro-market reforms, and Bulgaria's ruling socialists who preside over an economic meltdown.

The tactic paid off. The socialist vote was halved in first round voting and Mr Stoyanov is well placed to win the presidency at Sunday's run-off. But the presidency is a largely ceremonial post and the socialist government has a solid majority in parliament. It will retain the main responsibility for guiding Bulgaria out of a crisis which has been building up for over a decade and which the opposition United Democratic Front failed to tackle during its own brief period in office.

The crisis in Bulgaria is structural and deep and was made worse by the war in former Yugoslavia. The UN trade embargo on Serbia cut off Bulgaria's links with the west, encouraged smuggling and criminalised parts of the economy. But the roots of the crisis are home-grown and can only be overcome by radical reforms to give transparency to its political, economic and financial institutions.

This is a hard lesson for a country used to foreign saviours. It was subsidised by Moscow for decades before turning to foreign borrowing. It defaulted on those debts in 1990, rescheduled four years later and already risks another default. But foreign creditors are in no mood for another bail-out and the IMF wants action on past promises. The government has known for years what it must do to get help from the IMF and the World Bank, but has failed to act decisively.

Mr Zhan Videnov, the prime minister, now appears to recognise that he will have no alternative but to follow the IMF's prescription. This means closing down the worst loss-making enterprises and banks and, above all, selling enterprises which need fresh investment, new technology and wider markets.

Hungary's socialist government opted successfully for large scale privatisation to head off its own looming debt crisis two years ago. Similar rapid privatisation could help Bulgaria service its $10bn foreign debt next year and provide future hard currency earnings.

But unless Bulgaria's socialists push ahead with real reforms which encourage both local and foreign entrepreneurs the country will remain poor and marginalised. There is no alternative.

No appetite to change the mix

Emma Tucker on the difficulties of completing Europe's single market

On the eve of the fourth birthday of the European Union's single market, there is good reason to celebrate. Yesterday's report from the European Commission shows some startlingly good results from bringing down the barriers that stop the free circulation of goods, services, people and capital.

The report also identifies considerable obstacles that remain before the 15 member states can describe the EU as a truly single market. This has led Unice, the confederation of European industry, to urge the Commission to follow up the report with a new white paper aimed at dealing with these remaining barriers.

Yet there appears to be little interest in Brussels in further legislation to complete the single market. With the largest member states unwilling to cede further sovereignty to the EU, there is no appetite for harmonising tax rates or tackling company law arrangements – two of the biggest surviving obstacles.

"The remaining barriers to the single market can't be resolved in Brussels," says one Commission official. "Our message is no longer about legislation, it is about going out and making the most of what is there."

The report begins by noting that more than 90 per cent of the legislation needed to establish the single market is in place. Goods are no longer stopped and checked at frontiers, nor do they have to comply with different laws in each member state. Important business sectors such as transport, telecoms, banking and broadcasting are being opened up to competition, and EU citizens can more easily move to other member states.

Some of the remaining obstacles are small: British-trained ski-instructors are not permitted to teach in France; Danish life-saving equipment manufacturers have had trouble gaining approval for their products in Germany.

Others are more serious: companies operating in several member states must still cope with a daunting variety of tax rates and legal systems, for example. And travellers are still subject to tedious border checks.

"We should end up with a list of those actions that really must be taken and we must put a date against each one," says Mr Zygmunt Tyszkiewicz, Unice's secretary general.

Yet despite the evidence in yesterday's report, Mr Mario Monti, the single market commissioner, believes it is more important for member states to concentrate on getting what is already in place to work, and using sanctions more effectively to enforce the existing regulations. "The challenge for enforcement lies at a national level," he says. "We hope member states will now do what they have to do."

In some areas, there is scope to do more to enforce existing laws. In public procurement, for example, legislation to promote competition from businesses in other member states has yet to make much impact. According to Commission figures, public sector purchases of non-domestic origin have increased from 6 per cent in 1987 to only 10 per cent in 1994.

And governments are still slow to recognise the certification and test results of other member states – often for dubious reasons. The Spanish Industry Federation, for example, has found that pearls passed for export under Spanish rules failed French tests because of unacceptable levels of lead. Unlike the Spanish testers, the French analysed the insides of the pearl where small amounts of lead occur naturally.

Such examples reflect a wider problem of excessive regulation at a national level, according to yesterday's report.

"Member states have put a lid on community law-making, but seem quite happy to carry on along the same road themselves," says a Commission official.

The consequences of over-enthusiastic regulation are most acute on environmental issues, where member states are free to set higher standards than those specified by Brussels.

"This is actually posing a risk to the single market," says Mr Kari Jalas, who represents Finnish industry and employers in Brussels. He says he has received hundreds of complaints from Finnish exporters who cannot operate effectively in Germany because of German laws requiring packaging materials to be recycled.

The report says some of these problems can be overcome by enforcing existing EU regulations more effectively. But it also suggests further legislation may be needed to deal with some more fundamental issues.

For example, one important reason why the single market has developed much more slowly for services than for goods is the absence of tax harmonisation. National tax systems – in particular rules relating to financial services – obstruct the sale of services in other member states.

With life insurance, for example, many member states give tax relief on premiums only on policies issued by a domestic insurer.

"The nooks and crannies of national taxation systems are coming to the surface as barriers to the free provision of services," says a Commission official.

In the absence of a single VAT rate across the EU, companies must still distinguish between goods for the home market and those destined for other EU countries. The burdensome paperwork involved is extremely unpopular with business, according to Mr Tyszkiewicz of Unice.

And in a true single market, a company should be able to offset losses in one member state against profits in another – paying tax only on net profits. This remains impossible in the EU without tax harmonisation.

However, the majority of member states is firmly opposed to any EU interference in their tax systems. This is one reason why there has been little progress towards establishing a "definitive regime" under which VAT would be levied in the country of origin.

Another important gap is the absence of a European company statute. Businesses with operations all over the Union cannot organise themselves as a single European company but have to tailor their operations to comply with up to 15 different sets of company laws. "It is a cost that adds no value," says Mr Tyszkiewicz.

Proposals for creating a European company statute remain stalled mainly because of fears by German trade unions that they would undermine domestic arrangements for worker participation in the running of industry.

Perhaps the most disappointing failure is the absence of progress on the free movement of people. This has mainly been because of resistance to relaxing border controls among member states, particularly the UK. "People won't believe in the single market until they can float around in it as they would from New York to Los Angeles," says one diplomat. "We will never get the same mobility as in the US because we don't speak the same languages, but we need to maximise flexibility, particularly with the introduction of a single currency."

While Mr Monti has set his face against legislation now, some Brussels officials believe that economic and monetary union in 1999 will force the Commission to look again at the issue. The costs imposed on EU citizens by the obstacles to free trade inside the market will then become evident.

As one official says: "The single currency will make the market much more transparent. Consumers and businesses will find it much easier to compare prices and costs and will start to become more vociferous about their rights."

Unchained but not yet free

What we expected

- The creation of 1.8m new jobs
- A significant relaunch of economic activity, adding on average 4.5 per cent to EU GDP over the next five years
- Falling inflation, with consumer prices deflating by an average of 6.1 per cent
- The relaxation of budgetary and external constraints, improving the balance of public finances by an average equivalent to 2.2 per cent of GDP and boosting the EU's external position by around 1 per cent of GDP
- The structural readjustment of industry in response to new patterns of competition

Source: Cecchini Report, based on a European Union of 12 member states

In the run-up to the launch of the single market, a team of economists, chaired by Mr Paolo Cecchini, a senior European Commission official, attempted to measure the economic benefits of dismantling barriers to the free movement of goods, services, capital and people.

When it appeared in 1988, the Cecchini report predicted the single market would send shockwaves through an economy "chronically fettered" by border controls, customs red tape, divergent standards, conflicting business rules and protectionist procurement practice.

It forecast full integration would add 4.5 per cent to the gross domestic product of the 12 member states in the medium term, creating 1.8m jobs.

Yesterday's report on the first four years of the single market appears to bear out the optimism of the Cecchini report – though not quite to the extent predicted.

The consequences of the single market for growth, employment, trade and foreign direct investment have almost all been positive, it says. The GDP of the EU (now with 15 members) is between 1.1 per cent and 1.5 per cent higher than it would have been without the single market. And between 300,000 and 900,000 people are in work who would have been unemployed if the barriers had remained.

The abolition of customs documentation and formalities has led to savings of about Ecu5bn (£6.3bn) for businesses trading between EU countries.

The introduction of an EU-wide approval system for authorising car sales is estimated to have saved up to Ecu30m for the manufacturers.

Telecoms equipment prices have dropped by 7 per cent while tha price of telephone calls to the US fell by 42 per cent between 1990 and 1995.

Cross-border road freight costs have been reduced by 6 per cent and the average delay between order placement and shipment cut to 15 days from 21 days before 1992.

What we got

- Between 300,000 and 900,000 people who are in work would have been unemployed without the single market
- EU GDP in 1994 was 1.1 to 1.5 per cent higher than it would have been without the single market, and investment was 2.7 per cent higher
- EU trade has risen faster than extra-EU trade, with the share of intra-EU imports in manufactured goods rising from 61.2 per cent in 1985 to 67.9 per cent in 1995
- The EU absorbed 44.4 per cent of world foreign direct investment flows in the early 1990s, compared to 28.2 per cent between 1982 and 1987

Source: EU Commission

· OBSERVER ·

Breuer is Mr Big

■ So Hilmar Kopper has decided to throw in the towel and spend more time collecting fruit wrappers. That the Deutsche Bank chairman – whose hobby involves gathering those bits of tissue that encase citrus fruit – should be off is not a huge surprise. But the emergence of smooth-talking, perma-tanned Rolf Breuer as arguably Europe's most powerful money man is not quite so easily explained.

Putting an internationalist investment banker at the top clearly sends the right signals in terms of underscoring Deutsche Bank's global ambitions. But it looks slightly less logical given that much of Breuer's core experience is in German equities, never one of the country's most successful exports. Some people also think that it's more than a mite unfortunate that the announcement comes quite so soon after the Peter Young affair.

Reacting to Young's dealings in exotic technology stocks on behalf of Morgan Grenfell Asset Management, Breuer suddenly sounded less than internationalist in delivering a finger-wagging lecture on German "discipline".

"What should be at the heart of a good business is discipline, not performance for its own sake," intoned the man with overall responsibility for the bank's asset management business. Having survived an insider trading scandal elsewhere in his department in 1991, he no doubt knows what he's talking about.

One cannot help wondering what Keith Percy, the recently sacked head of Morgan Grenfell Asset Management – who carried the can for tha Young debacle – makes of Deutsche Bank's latest promotion.

Golden shot

■ The Zambian stock exchange is a pretty sleepy place. Indeed, only three companies have the privilege of being quoted on it; total share dealings in the first half of this year were worth just $140,000.

Not before time, the exchange has hit on an idea to enliven business. "We are trying to encourage various football clubs to float themselves," Mumba Kapumpa, the exchange's head, told the African Stock Exchanges Association meeting in Cairo this week.

Kapumpa must have one eye on the London exchange, where the shares of the seven quoted football clubs have jumped more than 45 per cent since May; the trend is fast spreading elsewhere.

"Zambians are football fanatics. They will spend their last penny on watching their national team. Club members could buy shares; that would bring in hundreds of thousands of kwacha," Kapumpa explains. He hopes the first club will float by early next year, giving enthusiastic supporters an aven bigger share of the action.

Chinks of light?

■ You've heard of the information highway. Chances are, however, that you are less conversant with the information wok.

Thai media tycoon Sondhi Limthongkul would like to change all that as he stirs up everything from newspapers to satellites in a bid to curb the western dominance of the Asian media industry.

Having got his fingers burnt in a publishing venture in mainland China, Sondhi has recently turned his attention to the overseas Chinese community. The result is the first Chinese-language high-society magazine, which is designed to push aside Vanity Fair, Cosmopolitan and the other global glossies when it hits the news-stands this week. It is a monthly, and, unoriginally, named The Chinese.

Such visions don't come cheap. Sondhi revealed yesterday that he has already sunk $150m of his own money into his media ambitions, including Asia Times and Asia Inc, his English-language newspaper and magazine. Undaunted, tha Thai tycoon says he will keep investing and, on an upbeat note, claims he is beginning to see some light. Some dark, in the form of black ink, is what he really needs, of course.

Special FX

■ What on earth must the tolerant denizens of Copenhagen have made of the zany British expats at Scandex Capital Management, the currency trader which has been closed by the Danish regulator and now faces legal proceedings in the UK.

It transpires that when Ian Farrell, a senior "consultant" and Scandex shareholder, lost a bet on the England-Germany semi-final during this summer's Euro 96 football championship, he had his hair cut and dyed Gazza-style, only to find some of his staff imitating his example.

More than a few eyebrows were raised, except those belonging to Farrell; he had been forced to settle another wager on a game of pool – by shaving them off.

The Financial Times

100 years ago

United States and Cuba
Madrid:- A ministerial decree is issued to the report that President Cleveland has submitted any proposition to the Spanish Government to make such changes in the political regime in Cuba as would be calculated to result in the submission of the insurgents. It is freely stated in the highest circles that the excellent relations now existing between the Governments of Madrid and Washington could not be maintained for a moment longer were Mr. Cleveland to move either with a move to mediation or intervention in a matter which is regarded as absolutely the private affair of Spain.

50 years ago

Krupps To Be Blown Up
The Krupps armament factories at Essen are to be completely dissolved, and its cast-iron works – considered the centre of German armament production – blown up. This statement is by Mr. Paul (member of the British control of the Krupps works) and is quoted by Hamburg radio. New industrial enterprises will be established where the iron works now stand, be added.

FINANCIAL TIMES
Thursday October 31 1996

China jails democracy activist for 11 years

By Tony Walker in Beijing

One of China's most prominent dissidents was sentenced yesterday to 11 years in jail, dealing a further blow to the country's beleaguered protest movement.

The Beijing Intermediate Peopls's Court found Mr Wang Dan, 27, a leader of China's flickering pro-democracy tendency, guilty of "conspiring to subvert the government".

The hearing took less than four hours.

An indictment had accused Mr Wang of writing articles slandering the government and inciting people to take action against the authorities.

A western official, who monitors the human rights movement, said the sentence meant China had incarcerated the "last big name" from its tiny dissident community.

The official said Mr Wang's sentencing appeared to be part of an attempt by the government to "tighten the screws" during a difficult transition to a new generation of leaders who will replace the ailing Mr Deng Xiaoping.

The verdict prompted an anxious reaction in Hong Kong, which returns to Chinese sovereignty in July next year. Fears there about future freedom of expression have been fuelled by recent comments from Mr Qian Qichen, the Chinese foreign minister, who warned the territory against criticising Beijing's leaders and interfering in mainland affairs.

"This is bad news for the people of Hong Kong," said Mr Martin Lee, leader of the Democratic party, the largest in Hong Kong's legislature.

China's sentencing of Mr Wang comes nearly a year after Mr Wei Jingsheng, "father" of the country's dissidents, was jailed for 14 years for seeking to overthrow the government.

He had previously served 14½ years of a 15-year sentence for alleged counter-revolutionary activity.

International human rights groups condemned the treatment of Mr Wang. The New York-based Human Rights Watch said China's dissident movement "has, in effect, been comprehensively smashed".

It added: "At least where political dissidents are concerned, all the judicial signs thus far point ... to intensified repression by the country's state security forces."

Mr Wang Xianzeng, father of the jailed dissident, said: "We will definitely appeal ... we'll not give in."

Other prominent dissidents recently incarcerated include Mr Liu Xiaobo, one of the so-called "black hands" behind the crushed 1989 Tiananmen Square protests, who earlier this month was sent to a labour camp for three years. No reason was given.

China seeks year-end convertibility, Page 5

Indian tobacco company hit by arrests

By Tony Tassell in Bombay and Kunal Bose in Calcutta

Four senior executives of ITC, the Indian tobacco company in which BAT Industries of the UK has a substantial minority stake, have been arrested for alleged foreign exchange violations involving sums totalling $100m.

The alleged violations involve under-invoicing of exports of commodities such as rice. If proven, they would constitute the biggest breach of foreign exchange rules in Indian corporate history.

The arrests mark yet another controversial chapter in the turbulent recent history of ITC.

The group, which commands 70 per cent of India's cigarette market, was involved in a long and bitter public boardroom battle last year.

BAT Industries, the tobacco and financial services group which holds a 32 per cent stake in ITC, sought to remove Mr Krishan Lal Chugh as chairman. The struggle was seen as a test of a foreign multinational's ability to establish control over its Indian associate.

Mr Chugh eventually stepped down as chairman but, with the support of Indian institutional investors which hold 38 per cent of ITC, claimed a moral victory. He was subsequently made chairman emeritus.

The Calcutta-based company, which is India's biggest corporate taxpayer, was also fined Rs7.99bn ($225m) last year over alleged excise evasion. Although ITC is contesting the fine, it is required to pay Rs3.5bn by February 1997 as a deposit before the appeal can be heard.

The ITC officials under arrest include Mr R C Kutty, the chairman of the international business division, and Mr G K P Reddy, a director who previously headed the international operations. Mr Chugh and Mr J N Supru, a former chairman, and other directors were also being questioned last night.

In addition, officials from the ministry's investigatory wing, the Enforcement Directorate, are seeking to question Mr Y C Deveshwar, the chairman.

The foreign exchange scandal is likely to strengthen BAT's hand if it attempts to increase its stake in its Indian associate. "They are likely to wait until a more politically congenial time to increase their stake but this will help," said an analyst.

Shares in ITC fell 17.5 rupees to 303.50 in reaction to the arrests.

Rao indicted, Page 5

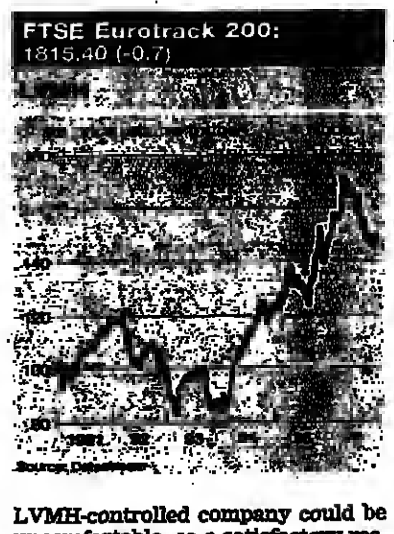
THE LEX COLUMN

Breuer's new broom

At 58, Mr Rolf Breuer, Deutsche Bank's incoming chairman, is only three years younger than Mr Hilmar Kopper, his predecessor. But in attitude, they are a generation apart. While Mr Kopper has done much to internationalise Deutsche and to push the concept of shareholder value, at heart he has remained a bluff German banker. His clumsy management of crises such as the Schneider affair has done Deutsche no favours. The permanently suntanned Mr Breuer should prove a smoother communicator. His balanced handling of the Peter Young débâcle, for which he was ultimately responsible, won him plaudits in Frankfurt.

In terms of strategy, investors should expect little change. With a background in sales and trading, Mr Breuer will continue Deutsche's push into investment banking. His first task must be to demonstrate that this will pay off. Improving the profitability of the domestic branch business will prove equally challenging. Deutsche's return on equity this year will be around 7 per cent. The best of its European rivals manage over 20 per cent. Mr Breuer has a lot to do.

FTSE Eurotrack 200: 1815.40 (-0.7)



Source: Datastream

LVMH

Vertical integration as proposed by French luxury goods group LVMH in its FFr12.6bn ($2.5bn) acquisition of a duty free retailer is deeply unfashionable. But in this case, it looks astute. By controlling a vast network of duty free stores, LVMH should get more effective distribution for its branded bags, clothes, perfumes and spirits. At present, it sells $300m of products, less than 2 per cent of turnover, through the DFS chain. After buying the stores this could comfortably rise to $450m. Currently DFS does not sell any Louis Vuitton-branded products. DFS's Pacific Rim focus will also enable LVMH to tap into the fastest-growing markets for luxury brands, and capture more of that growth.

Of course, LVMH has no retail skills, but the existing DFS management team has a successful record. And it could help reverse an alarming slowdown in the growth rate of LVMH's luxury goods sales. Besides, the acquisition should result in no short-term earnings dilution.

The deal has two problems. One is the opposition of DFS minority shareholder Mr Robert Miller. But being a minority shareholder in a LVMH-controlled company could be uncomfortable, so a satisfactory resolution should be achievable. And LVMH's strong balance sheet could easily fund the purchase of the entire company. The other problem is pacifying LVMH's luxury goods competitors, which provide 90 per cent of DFS's sales. But they will not want to lose a significant route to high-growth markets.

UK interest rates

Yesterday's quarter-point rise in UK interest rates was amply justified. And the chancellor's belated recognition of the Bank of England's inflation worries is no bad thing for the credibility of Britain's slightly ramshackle monetary policy-making process. But before investors get carried away celebrating the chancellor's new-found rigour, they should recall that a quarter point is not much; rates have been cut by four times that since last December. And it would be astonishing – for all the chancellor's ritually self-denying rhetoric – if the decision does not presage a highly political budget. The scepticism evident in long gilts, which fell yesterday, looks well placed.

US dollar/yen

Since plumbing the depths of Y80 in spring 1995, the dollar has rallied by 30 per cent to reach Y115 earlier this week – an impressive reversal of the average annual decline of 4 per cent over the past 25 years. The move has been driven by the Japanese government's desperate need to reflate its ailing economy. It has been assisted, until recently, by a declining trade surplus and large interest rate spreads favouring the dollar.

How far can it go? Short term, Y120 is possible. Low bond market yields are forcing Japanese investors to look offshore for richer pickings. The government may also believe that currency depreciation is an easier option than fiscal stimulus. But this is unlikely to prove sustainable. Back in June, US car manufacturers were complaining about Y110. Their current silence probably has more to do with politics than any change of view. Once the election is past, underlying trade frictions are likely to re-assert themselves. And inasmuch as the weaker yen prompts renewed growth in Japan's trade surplus, it will only stiffen US resolve further.

Windfall tax

How should the Labour party's threatened windfall tax be calculated? Probably the least bad – and most likely – method would be to tax total shareholder return, above the market average, since flotation. This approach would still be unfair: current shareholders would be taxed on gains often received by their predecessors. But unlike, say, a tax linked mechanically to profits, it would at least focus the damage on the tax's alleged target: the "windfall".

Still, it would have to be done with care. One suggestion – that to avoid using share prices distorted by windfall tax fears only returns up to, say, 1993 should be counted – would be particularly unfair. Of course, more money could be raised this way, since British Telecommunications and British Gas outperformed over that period. But this would amount to penalising past windfalls without recognising subsequent regulatory tightenings – a nonsense. Of course, post-1993 predators would strongly resist using a later date. But they do not have a strong case: by the time they launched bids, the risk of a windfall tax was well-recognised.

For investors, the total return method does have one attractive aspect: unlike a profit tax, it is self-evidently one-off. But it also has a big downside: the total "windfall" measured this way amounts to £30bn ($48bn) or so. By those standards, Labour's current tax-raising ambitions look strikingly modest.

Additional Lex comment on Sainsbury, Page 18

EU single market 'has created jobs'

Continued from Page 1

is not yet in place, although a group of member states has made its own border-free arrangement, known as the Schengen agreement.

Proposals for harmonising value added tax have not been produced by the Commission because of reluctance by states to allow interference with their tax systems. Proposals for a European company statute remain deadlocked over whether provisions for worker participation should be included.

The report also shows a need for more effective application of rules already adopted by the Council of Ministers. Only 56 per cent of all single market measures are in place, with areas such as public procurement faring particularly badly.

"Enforcement is now a major priority," said Mr Monti, pointing out that existing procedures for penalising lawbreakers via the European Court of Justice were too cumbersome and lengthy. He would like the Commission to be granted extra powers to challenge actions taken by member states.

Italian telecoms sell-off likely to face further delay

By Robert Graham in Rome

Privatisation of Stet, Italy's state-controlled telecoms holding company, looks almost certain to be delayed until late 1997 because of political wrangling over how to proceed with the sale.

A further delay in the long-awaited Stet sell-off could damage Italy's relations with the European Commission, and disconcert international investors.

The Italian treasury yesterday repeated its commitment to sell the government's majority stake by March, as planned, but tacitly admitted that the deadline might slip.

If parliament failed to establish a regulatory authority for the sector, sale of the 63 per cent stake would "take place, in any case, during the course of 1997", the treasury said.

The possibility of delay in what would be the biggest privatisation of 1997 after France Télécom disappointed potential investors. Stet shares fell 2.5 per cent to L5,302 yesterday.

Iri, Italy's state holding company, owns the stake in Stet, which has an overall market capitalisation of about L25,000bn ($16.5bn). The proceeds of this sale are essential to reduce Iri's debt from L23,500bn to L4,500bn, to honour a 1993 agreement with Mr Karel Van Miert, the EU competition commissioner.

Parliament's failure to agree on the establishment of a telecoms authority is at the root of the problems over the Stet sale. Opponents of the sale are using the regulatory issue as a weapon to hold up privatisation. On the government side, the opposition is coming from the old hardliners in Reconstructed Communism.

But the opposition National Alliance, the rightist party with a strong political presence in Stet and the telecoms bureaucracy, is also blocking the authority.

Earlier this week the senate decided to call a temporary halt to discussion on two draft laws on regulation of telecoms and media to consider some 5,000 amendments.

World stocks, Page 29

LVMH set to take key stake in DFS

Continued from Page 1

Louis Vuitton, Christian Dior, Moët & Chandon and Givenchy – rose strongly yesterday in the largely static Paris market, closing ahead FFr38, or 3.4 per cent, at FFr1,153.

Mr Edouard de Boisgelin, a London-based analyst with Merrill Lynch, said LVMH's planned move into distribution would make good strategic sense. However, it was not yet clear what the impact would be on the company's earnings. He said there was a risk that DFS - which has more than 180 duty free and luxury goods stores in airport terminals, hotel lobbies and city centre sites throughout the Pacific Rim - might lose some of its existing customers.

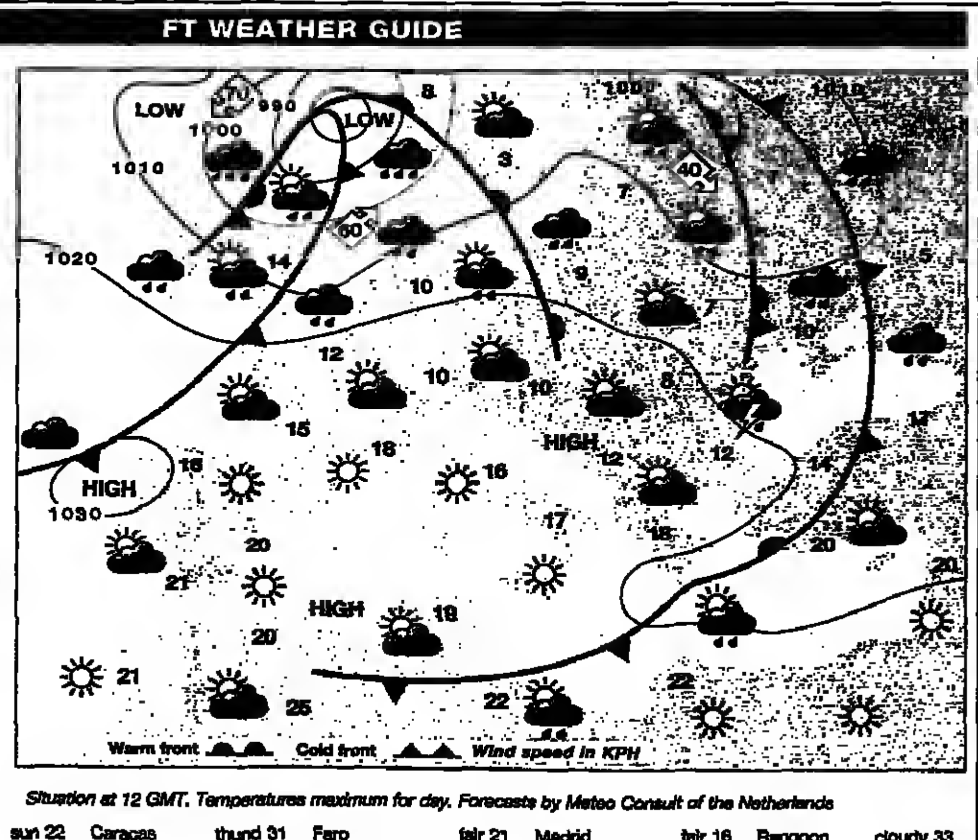
FT WEATHER GUIDE

Europe today

The Benelux and northern France will have rain, starting in Brittany in the afternoon and gradually moving west. Northern Germany will have rain but the south will remain dry with sunny periods. Sunny periods will also occur over central France and there will be a lot of sun in the south. High pressure over the western Mediterranean will provide ample sunshine over Spain, Portugal and Italy. Most of the Balkans will have sunny periods. Eastern Romania will have rain or thunder showers. Showers are also expected in the extreme south of Greece.

Five-day forecast

Most of north-western Europe will continue unsettled as low pressure systems from the Atlantic bring abundant cloud, rain and wind. Eastern Europe will get its share of rain as well but southern Europe will be generally dry and rather sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 22	Caracas	thund 31	Faro	fair 21	Madrid	fair 16	Rangoon	cloudy 33
	Celsius	Belfast	shower 12	Cardiff	rain 15	Frankfurt	cloudy 11	Majorca	sun 20	Reykjavik	snow -7
Abu Dhabi	sun 31	Belgrade	fair 14	Casablanca	sun 20	Geneva	fair 11	Malta	fair 21	Rio	fair 27
Accra	fair 31	Berlin	shower 10	Chicago	fair 6	Gibraltar	sun 19	Manchester	shower 15	Rome	sun 20
Algiers	fair 20	Bermuda	fair 25	Cologne	rain 10	Glasgow	shower 15	Manila	fair 31	S. Frsco	sun 21
Amsterdam	rain 13	Bogota	fair 20	Dakar	sun 33	Hamburg	rain 9	Melbourne	fair 23	Seoul	cloudy 20
Athens	fair 19	Bombay	fair 32	Dallas	fair 27	Helsinki	fair 4	Mexico City	fair 22	Singapore	shower 32
Atlanta	sun 25	Brussels	cloudy 11	Delhi	sun 31	Hong Kong	fair 26	Miami	fair 32	Stockholm	fair 5
B. Aires	cloudy 22	Budapest	fair 10	Dubai	sun 32	Honolulu	fair 32	Milan	sun 16	Strasbourg	cloudy 12
B.ham	shower 15	C.hagen	rain 10	Dublin	shower 14	Istanbul	rain 14	Montreal	shower 7	Sydney	fair 19
Bangkok	cloudy 36	Cairo	fair 25	Dubrovnik	sun 16	Jakarta	fair 34	Moscow	rain 7	Tangier	sun 21
Barcelona	sun 18	Cape Town	fair 24	Edinburgh	fair 15	Jersey	rain 15	Munich	fair 10	Tel Aviv	fair 23
						Karachi	sun 32	Nairobi	fair 28	Tokyo	sun 26
						Kuwait	sun 36	Naples	sun 19	Toronto	fair 4
						L. Angeles	fair 16	Nassau	fair 29	Vancouver	sun 14
						Las Palmas	sun 26	New York	fair 14	Venice	sun 14
						Lima	cloudy 21	Nice	sun 19	Vienna	fair 12
						Lisbon	fair 20	Nicosia	fair 20	Warsaw	shower 9
						London	rain 15	Oslo	rain 6	Washington	sun 16
						Lux.bourg	cloudy 9	Paris	cloudy 12	Wellington	cloudy 16
						Lyon	fair 12	Perth	fair 30	Winnipeg	cloudy -4
						Madeira	sun 22	Prague	[illegible]	Zurich	fair 6

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IN BRIEF

Unigro in merger plan with De Boer

The consolidation of the Dutch retail sector resumed with the announcement by De Boer and Unigro, two supermarket groups, that they planned a merger forming the country's second largest chain of food outlets. The combined group will have sales of more than Fl 6bn ($3.5bn), ranking it among the Netherlands' 20 largest companies. Page 14

Swiss brewery writes off SFr315m
Feldschlösschen-Hürlimann, Switzerland's biggest brewer, will write off SFr315m ($250m) to cover the cost of closing three of its five breweries and cutting its brewing capacity by about a third. The closures are part of a plan to cut costs by SFr60m a year and double profits to SFr48m over the next few years. Page 14

Banca di Roma ratings lowered
IBCA, the European credit rating agency, is downgrading the individual rating of Banca di Roma, Italy's largest commercial bank in terms of assets. The agency said it was changing Banca di Roma's rating from C to C/D. Page 15

Japanese bank reveals Y3.4bn fraud
Biwako Bank, a medium-sized regional lender in Shiga, Japan, said a former employee had embezzled Y3.4bn ($29.8m). Biwako expects to recover only Y400m of the embezzled cash, and will offset the rest from core profits and sales from its securities portfolio. Page 16

Tandem plans move on Internet market
Tandem Computers of the US launched a strategy for growth that included new products and a move into the Internet and corporate intranet markets. Page 17

Bethlehem Steel to take $375m charge
Bethlehem Steel, the second-biggest steelmaker in the US, admitted defeat in its attempt to turn round a group of lossmaking businesses and said it would sell or close them. Together with a plan to write off a coke-making facility, the moves would result in an after-tax charge of about $375m in the final quarter, the company said. Page 17

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

RANKFURT (DM)			
Rises			
HE	105.5	+	2.5
3 & Salz	163.5	+	6.5
lkswagen	600.75	+	10.75
Falls			
lanz	2732	−	33
chtief	62.2	−	1.8
yssen	287	−	2.9
EW YORK ($)			
Rises			
y Network	20½	+	2½
rter Wall	15¾	+	4
ation Corp	25¼	+	3
as Cos	82¾	+	9¾
Falls			
ag Bailey	16⅝	−	5¼
ath Plan	16⅝	−	2¼
ONDON (Pence)			
Rises			
n. Utd	533	+	20
w Guernsey	395	+	52½
nlMedia	15½	+	2½
otto Ex.	306½	+	23
Falls			
eelock Eur	283	−	84½
umsp	35¼	−	13½
ORONTO (C$)			
Rises			
tchell Gld	51.00	+	4.00
mark Tech	11.00	+	1.50
wbridge Net	42.15	+	1.80
Falls			
hanti Gold	16.40	−	1.10
neil	40.00	−	3.25
moat A.T.	28.50	−	1.80

PARIS (FFr)			
Rises			
Chris. Dior	659	+	22
Dollus Mieg	139.9	+	3.4
Falls			
Air Liquide	780	−	12
Casino	233.7	−	2.8
Fonc Lyonnaise	540	−	11
l'Oreal	1716	−	35
TOKYO (Yen)			
Falls			
All Nip Air	961	−	21
Fuji Spinning	543	−	16
Hino Motors	971	−	69
Hitachi Metals	942	−	52
Marudai Foods	686	−	17
Showa E Wire	541	−	24
HONG KONG (HK$)			
Rises			
Lai Shing	6.95	+	0.65
Falls			
Asia Secs Intl	2.175	−	0.10
AV Concept	1.07	−	0.18
Beijing Dev	1.28	−	0.12
China Assets	3.30	−	0.15
Road King	5.60	−	0.20
BANGKOK (Baht)			
Rises			
Royal Ceramic	19.00	+	1.00
S&J Intl	41.00	+	3.50
STA Group	28.00	+	2.00
Thai Cnl	29.00	+	2.00
Falls			
Finance One	57.50	−	8.00
Kiang Huat	58.50	−	6.50

ew York & Toronto prices at 12.30

Forestry group says uncertainty on prices is delaying market recovery

SCA profits slide adds to gloom

By Greg McIvor in Stockholm

SCA, one of Europe's largest forestry groups, yesterday announced a 41 per cent slide in nine-month profits, warning that the expected recovery in the pulp and paper industry was being held back by mounting uncertainty over prices.

The warning reinforced the gloom surrounding the industry.

The Swedish group said uncertainty over price trends for wood pulp and recycled paper had cast a shadow over the outlook for prices of most paper products.

SCA said total market recovery would proceed "slowly". Mr Sverker Martin-Löf, the chief executive, said: "There is at present great uncertainty over raw material prices as 1997 approaches, and it looks as if the recovery in the pulp price has come unstuck."

The remarks fuelled speculation among analysts that the price of long-fibre pulp might even fall again after staging a gradual recovery from mid-year.

"There is so much [pulp] inventory around that there is a great threat that buyers will be able to resist any price increases," said one analyst at a leading London-based investment bank.

Analysts said the prime reason for larger long-fibre pulp stocks was over-supply from the US market.

Ironically, the downbeat market assessment masked a reversal by SCA of two successive falls in quarterly earnings.

Pre-tax profits rose from SKr659m in the second quarter to SKr868m in the third, although much of the increase accrued from a SKr166m gain from disposal of a non-core business.

Nine-month pre-tax profits were SKr2.5bn, against SKr4.6bn. SCA attributed SKr420m of the decline to negative currency effects. Net sales dropped from SKr50.3bn to SKr42.4bn and earnings per share slipped from SKr13.40 to SKr7.62.

The figures slightly outperformed average market expectations but SCA's most-traded B-shares were unchanged at SKr137. Hygiene products, which include nappies, feminine care and incontinence products, posted a strong increase in profitability despite slower sales of SKr17.9bn, compared with SKr18.7bn.

Operating profits in the unit, SCA's biggest, advanced from SKr896m to SKr1.7bn, driven by falling tissue prices.

However, SCA said the maximum impact on earnings of lower raw materials prices had been reached.

First-half profits collapse at Nippon Oil

By William Dawkins in Tokyo

Nippon Oil, Japan's largest distributor of oil products, yesterday reported a collapse in first-half profits. It has been hit by a rise in the cost of imported oil, a rising dollar and a fall in petrol prices.

Unconsolidated recurring profits – before tax and extraordinary items – plunged nearly 87 per cent to Y946m ($8.3m) in the six months to September, on sales up 9 per cent at Y867.7bn. Net profits, after extraordinary gains, fell 61.6 per cent to Y1.11bn.

Like all Japan's oil companies, Nippon Oil has been hit by a 35 per cent rise in the cost of oil, in local currency terms, from the average cost in the first six months of the previous year. Oil accounts for most of its cost of sales, which in turn represent 89 per cent of turnover.

Petrol prices have fallen after the deregulation of imported oil products in April. This has hit the largest distributors, such as Nippon Oil, whose service stations tend to sell less petrol per pump than smaller competitors. It owns a network of more than 2,470 service stations in Japan and franchises more than 10,150, all under the Nisseki brand.

The group predicted rising oil costs would wipe a notional Y6bn off its recurring profits in the second half but thought it would more than compensate for this with Y5bn of cost cuts and at least Y5bn of increased profit margins from higher prices and a more profitable product mix.

Accordingly, Nippon Oil has left its forecast for the full year to next March unchanged, predicting a 9.9 per cent rise in recurring profits to Y12bn, on turnover up 9.3 per cent to Y1,870bn.

However, analysts were sceptical whether that profits forecast could be achieved. Ms Kate Lye, oil industry analyst for SBC Warburg in Tokyo, said it was unlikely that petrol retailers would accept price increases in such a competitive market. SBC Warburg is forecasting Y6.4bn recurring profits for Nippon Oil, a sharp decline from the previous year's Y10.9bn.

The oil company is offering an unchanged interim dividend of Y3 a share – more than three times net earnings of Y0.9 per share – and is planning an unchanged final dividend of Y4 a share.

Deutsche's model of the universal banker

The appointment of Mr Rolf Breuer to succeed Mr Hilmar Kopper as leader of Deutsche Bank is an eloquent symbol of change at Germany's largest bank. It confirms that Deutsche has no intention of turning back in its stately progress towards being run in a more Anglo-Saxon manner.

The appointment does not signal radical change. It makes it likely that Deutsche will continue, perhaps at a faster pace, its efforts to raise return on equity, and turn into an international bank that can compete with the Swiss banks and others in investment banking. That was Mr Kopper's mission, and Mr Breuer seems unlikely to alter it. Yet Mr Breuer's personality and training make him a more natural exponent of such a strategy. With his ready grin, suntan and urbane manner, he is the very model of the modern universal banker.

Mr Breuer's appointment was greeted with some relief in the London headquarters of its investment banking subsidiary. The recent upheavals at Morgan Grenfell Asset Management have led to some nervousness over whether the traditionalists on the management board might attempt to rein back London.

Although Mr Breuer, 58, had sharp words about a need for stronger discipline in the wake of the Peter Young affair, he is seen by London bankers as being essentially of the same mind-set. "The word that comes to mind is genial. He is good at communicating, and straightforward," says one.

In background and temperament, Mr Breuer is utterly unlike Mr Kopper, who joined banking as an apprentice in 1954, having been born in the former east Germany. Mr Breuer studied law at Lausanne, Munich and Bonn universities, and has a cosmopolitan and well-travelled air compared with Mr Kopper.

New hand on the tiller: Rolf Breuer's personality and training make him a more natural exponent of Deutsche Bank's strategy

In Germany, Mr Breuer has been a strong influence behind the setting up of the DTB (the futures and options exchange) and the modernisation and computerisation of the Frankfurt stock exchange. He heads the supervisory board of Deutsche Börse, which runs both financial markets.

This market-oriented background – with a strong commitment to making Germans more equity-conscious – and his membership of the three-man investment banking board (with Mr Michael Dobson and Mr Ronaldo Schmitz), indicates that the costly expansion is set to continue.

Mr Breuer's office looks more like an elegant drawing room than a conventional banker's workplace. "He is a very clear, streamlined, straightforward thinker," says one of his fellow bankers.

Some colleagues say that Mr Breuer is a more natural mover in the world of international finance than Mr Kopper. "He has charm, and that is not true of everybody on Deutsche's board," one banker says. His colleagues say that he tends to support and have sympathy with those who work under him.

By May, when he steps down, Mr Kopper will have been on the Deutsche board for 20 years, which he has said is long enough. He will have been chairman for more than seven years.

Mr Kopper has proved a likeable and energetic leader, while lacking in the intellectual incisiveness of his predecessor, Mr Alfred Herrhausen. His early years as speaker of the management board were full of turbulence. After unification, the bank spent heavily on its east German network and has pushed into eastern Europe.

The bank became embroiled in the financial scandals at Metallgesellschaft, the German metals and trading group, and Jürgen Schneider's property empire. Mr Kopper's reputation was dented when he referred to the DM50m ($33m) of trade debts left by the Schneider collapse as "peanuts" compared with total debts.

Mr Kopper has been a forceful proponent of the bank's determination to expand and become a leader in commercial and investment banking. His colleagues have also supported the drive to European monetary union with enthusiasm.

Mr Kopper could have continued until he was 65. Instead, he has decided to put himself forward for the supervisory board, an opportunity offered by the fact that its chairman, Mr Wilhelm Christians, will be 75 by May.

As head of the supervisory board, Mr Kopper will have influence. He is likely to play a role in the question of who will succeed Mr Breuer. One possibility emerged with yesterday's appointment to the management board of Mr Josef Ackermann.

Mr Ackermann, 48, is the former president of the executive board of Credit Suisse. The notion of a Swiss head of Deutsche would have seemed outlandish a few years ago. It is a measure of the changes under Mr Kopper that it is no longer out of the question.

Editorial comment and Observer, Page 11;
Lex, Page 12

John Gapper and Andrew Fisher

Seagram cash flow increases to $479m

By Christopher Parkes in Los Angeles

Operating cash flow at Seagram rose 8 per cent to $479m on revenues down 1 per cent at $2.9bn in the first quarter, the drinks and entertainment conglomerate said yesterday.

MCA, the entertainment arm, generated almost half the advance with a 6 per cent increase to $234m, with film, recreation and books all posting improvements. But cash flow from music tumbled two-thirds to $7m, reflecting a downturn which has also affected most competitors.

Net income, including an extraordinary gain of $39m, jumped 150 per cent to $166m from $66m last time, raising earnings per share to 45 cents compared with 18 cents.

The Montreal-based group, in line with the results policy adopted by Time Warner, prefers cash flow – defined as operating earnings before interest, taxes, depreciation and amortisation – as the most useful measure of its progress.

Mr Edgar Bronfman, group president, said MCA's results were driven mainly by new attractions at its Florida and Hollywood theme parks, and better earnings from television.

Cash flow from the recreation division, which includes theme parks, rose 20 per cent to $60m. The fall in group revenues stemmed from lower turnover from wine and spirits in Europe and Asia, which more than offset "very strong" results in North America, the company said.

Proton takes big stake in Lotus with £51m deal

By John Griffiths

Proton, the Malaysian vehicle producer, yesterday outlined a programme of rapid expansion for Lotus as it announced a £51m deal for an 80 per cent stake in the UK sports car maker to be shared by Proton and its chairman.

The deal will result in Lotus cars being produced on Proton's assembly lines near the Malaysian capital, Kuala Lumpur. In addition, Lotus's team of several hundred consultant engineers is being drawn swiftly into Proton's ambitious plans for its own expansion.

Proton, which produced 160,000 cars last year, is investing £1bn to raise output to 500,000 units per year by 1999. It plans to have a 'mega plant' – capable of turning out 1m cars a year – on stream before 2010, lifting total capacity near the 1.5m mark.

The company, founded with its government's backing in 1985 to create a Malaysian motor industry by producing a "national car", does not plan to use the capacity to take on big competitors such as Japan's Toyota.

Instead, it intends to produce a varied range of vehicles with emphasis on niche sectors, such as sports cars, four-wheel drives and multi-purpose vehicles.

After Proton's takeover, Lotus engineers will play a key role in developing these products. Some staff will be seconded to Proton's R&D centre in Malaysia.

The takeover was announced jointly by Mr Romano Artioli, the Italian entrepreneur who bought Lotus from General Motors for £30m three years ago through his Luxembourg-based ACBN holding company, and Proton's chairman, Mr Tan Sri Yahaya Ahmad. It follows more than a year of attempts by Mr Artioli to find a partner for Lotus and thus solve its increasing cash-flow difficulties.

Under the agreement, Proton is taking a 63.75 per cent stake in Lotus, while Mr Yahaya, one of Malaysia's most influential entrepreneurs, takes a personal holding of 16.25 per cent. The remaining equity will continue to be held by Mr Artioli, through ACBN.

Mr Artioli, whose Bugatti companies in Luxembourg and Italy are in the hands of receivers and administrators, will stay on the Lotus board but step down as chairman.

Mr Yahaya and other senior directors of Proton and its parent company, the £1.5bn turnover DRB-Hicom industrial conglomerate – of which Mr Yahaya is also chairman and a major shareholder – were meeting last night at Lotus's historic Ketteringham Hall headquarters to map out a new management structure and board appointments.

Mr Yahaya pledged, however, that Lotus would retain "total independence" to develop its own cars and consultant engineering business – with Proton's help.

Lotus's engineering customers include General Motors and Chrysler. Mr Yahaya has insisted Lotus will keep most of its engineering customers and not simply become a "division" of Proton.

Dutch supermarket groups in merger plan

By Gordon Cramb in Amsterdam

The consolidation of the Dutch retail sector resumed yesterday with an announcement by De Boer and Unigro, two supermarket groups, that they planned a merger to form the country's second-largest chain of food outlets.

The combined group will have sales of more than Fl 6bn ($3.54bn), ranking it among the Netherlands' 20 largest companies, and a market share in its sector of at least 13 per cent. This still leaves it well behind Ahold, operator of the Albert Heijn chain, which has worldwide annual turnover of some Fl 37bn and a domestic market share of 27 per cent.

Compared with the 639 Albert Heijn outlets, the merged De Boer Unigro will have 380. In addition, it supplies convenience stores, including Spar shops in the Netherlands and Belgium.

Unigro also brings to the group a 270-strong Spanish chain called Super El Arbol. De Boer, smaller of the two but more profitable, has diversified by purchasing chemists and off-licences in its home market.

In the first half of its current year, Unigro had sales of Fl 2.23bn, from which it made net profits of Fl 16.7m. De Boer achieved net earnings of Fl 16.8m on revenues of Fl 1.12bn.

The merger, through a share swap, will give an initial 57 per cent interest in the group to the unlisted holding company of Mr Eric Albada Jelgersma, owner of Unigro. This is to be reduced within six months to 49.9 per cent. The chairman will be Mr Rob ter Haar, who took over from Mr Albada Jelgersma at Unigro in 1994.

The Unigro owner maintains that Ahold's dominance of the food market has brought higher prices for the consumer. Yesterday's deal is aimed at rationalising overheads. "The proposed merger will generate significant synergy benefits in the fields of logistics, information technology, buying, property and commercial policy," the two companies said.

De Boer Unigro "will be in a position to finance the substantial investments required for this renewal of every aspect of the business and rise to the challenge without compromising its prospects of an attractive return".

Analysts said the two were also a good geographic fit. De Boer is based in Hoogeveen in the north of the country, while Unigro has its headquarters at Houten, near Utrecht, and is stronger in the south.

Out of some 10,000 full-time staff, only "several dozen" jobs are expected to go, the companies added.

Swiss brewer to cut capacity by one-third

By William Hall in Zurich

Feldschlösschen-Hürlimann, Switzerland's biggest brewer, will write off SFr315m ($251m) to cover the cost of closing three of its five breweries and cutting its brewing capacity by almost one-third.

The closures are part of a plan to cut costs by SFr60m a year and double profits to SFr46m over the next couple of years.

The 120-year-old Swiss brewer, which controls more than half of the Swiss market, will close its breweries in Bern, Zurich and Fribourg and concentrate production in Sion, a small town in the Valais, and Rheinfelden, close to the German border. The closures will result in the loss of 580 jobs out of a workforce of 3,500.

The sharp cut in brewing capacity is the most dramatic of a series of moves to shake-up one of Switzerland's more sleepy family-owned businesses.

Mr Gérard Stalder, 52, a former Unilever executive, is joining the company as chief executive, and appears to have been given a free hand to improve the profitability of the business.

The group has also announced plans to merge with Sibra, its majority-owned regional brewer, and streamline its capital structure. In its financial year to end-September 1996, the group's estimated net income was SFr25m on sales of SFr1.1bn.

According to projections released by the company, net income is expected to climb to SFr60m by 1998-99 on a marginal decline in turnover to SFr1bn.

Until the early 1990s, the big brewers were able to maintain profits by operating a cartel. However, since the collapse of this cartel, profits have been under pressure, exacerbated by a decline in Swiss beer consumption and growing foreign competition.

Feldschlösschen says that beer volume fell 6 per cent in its latest year and its bid to diversify into alcohol-free soft drinks has been undermined by a 10 per cent fall in volume in this sector.

The group has a capacity to brew 3.4m hectolitres of beer but says that demand is running at only 2.3m hectolitres a year.

Overcapacity has led to a significant restructuring of the industry. At the end of 1993, Heineken, the large Dutch brewer, took control of Brauerei Haldengut, the second-biggest Swiss brewer, and earlier this year Feldschlösschen, which is based in Rheinfelden, took over Hürlimann, a family-controlled brewery in Zurich.

Mr Roger Birrer, of Bank Julius Baer, estimates that earnings per participation certificate, the most liquid of the group's securities, will rise from SFr5.05 in 1995-96 to SFr6.30 next year, and SFr12.15 in 1998-99.

The group's participation certificates yesterday recovered roughly half of Tuesday's sharp losses, rising SFr2 to SFr92.50.

Argentaria downbeat as profits fall 13%

By David White in Madrid

Argentaria, the Spanish banking group in which the government plans to sell its remaining 25 per cent stake, yesterday reported a 13.1 per cent fall in attributable net earnings for the first nine months, to Pta48.55bn ($381m). The result goes against the higher profit trend among its main domestic rivals.

The bank said the profit figure for the full year would also be down, after improving by almost 12 per cent last year to Pta74.20bn.

The nine-month fall mainly reflected a sharp reduction in extraordinary earnings, from Pta21.52bn last time to Pta7.99bn.

Last year's figures included gains from the disposal of its regional subsidiary, Banco Simeón, and the retail operations of its US Extebank offshoot.

Argentaria said its new strategy under chairman Mr Francisco González, appointed by the incoming centre-right government in May, was aimed at preserving medium-term profitability and maintaining the value of the group.

This meant putting on ice plans for further divestitures such as its controlling stake in Banco de Alicante and its minority holdings in Banco Atlántico and Cairo-based Banco Exterior Misr.

A more restrictive lending policy led to an 1.8 per cent reduction in loans to customers at group level. The ratio of non-performing loans fell from 4.2 per cent to 3.1 per cent of the total, the bank said. Its balance sheet stood at Pta11,500bn, down 1.2 per cent.

Narrower margins on the domestic market, combined with the divestitures, led to a 5.4 per cent drop in net interest income in the nine months, to Pta145.57bn. This was offset by an 18.9 per cent growth in fee income and sharply higher results from financial operations. Operating profits showed a 9.7 per cent improvement to Pta68.60bn.

The bank said this could not have been achieved without firm control of operating expenses. Personnel costs were 1.3 per cent up at Pta87.64bn.

Before tax and minorities, group earnings showed a 14.9 per cent decline to Pta70.14bn, in spite of lower loan-loss provisions. Net provisions were reduced by 23 per cent to Pta21.4bn.

Argentaria's shares fell 1.56 per cent on the Madrid Bolsa yesterday, to Pta5.050, amid uncertainty about how soon the government would seek to complete the bank's privatisation.

Anglo-American seeks to sharpen focus

The conglomerate is following a trend of consolidation in the mining industry

The decision by Anglo-American, the South African conglomerate, to increase its stake in Lonrho, of the UK, to about 29 per cent is part of a global trend towards consolidation among multinational mining groups. But the consequences of the move will be controversial, not least because of Anglo's strengthened position in platinum production and its stake in Ashanti, the West African gold company.

Lonrho holds a 32 per cent stake in Ashanti, which is the jewel in the crown of the booming West African gold industry. Ashanti's gold output should reach 2m oz by 2000, inflating annual cash flow from R118m last year to R1.8bn ($384m), according to Mr Barry Seargent, analyst at BoE NatWest in Johannesburg.

To achieve this target, the Ghanaian group needs to begin deep-level mining at its flagship Obuasi mine, which is set to double production by 2000. There are synergies between Ashanti and Anglo, which plans to begin mining at depths of 5km in South Africa and is the world leader in deep-level mining.

It is not clear, however, that Mr Sam Jonah, Ashanti's chief executive, welcomes Anglo's interest. Earlier this year, Ashanti acquired Cluff Resources, International Gold Resources of Canada and Australia's Golden Shamrock for more than $500m, diluting Lonrho's shareholding from 41 per cent to 32 per cent.

Mr Jonah denies any connection betweeo the dilution and Anglo's pursuit of Lonrho. But with Ashanti listed in London, Ghana, New York, Toronto and Harare, he may prefer independence to the prospect of Anglo's stake. "By the time Sam Jonah is through, there won't be much in Lonrho worth having – besides the platinum," joked Mr Brian Gilbertson, chairman of Gencor, recently.

The fate of Lonrho's platinum assets is no less controversial. In May, the European Commission vetoed a merger between Lonrho's Rustenburg Platinum and Impala Platinum, a Gencor subsidiary. The commission ruled that a merger would be anti-competitive and warned it would block any subsequent attempt by Anglo to acquire Lonrho's platinum interests. If control of Lonrho's mining division passes to Anglo, Gencor, which owns 27 per cent of Lonrho Platinum, will attempt to invoke its pre-emptive right on the balance of the Rustenburg shares.

The dispute will take time to resolve, since the demerger of Lonrho's mining unit cannot be accomplished until the head office debt of £262m ($427m) is apportioned between the different operations. As at September 1995, £111m of this debt was housed in Lonrho's mining businesses.

The outcome will be particularly closely watched in South Africa, where many Anglo watchers believe its expansion heralds the end of an era for the world's biggest gold producer and third-largest mining group. Anglo is the country'e biggest conglomerate, with a network of induetrial, property and financial interests that many analysts consider ripe for unbundling.

Julian Ogilvie Thompson: 'no intention of making a general bid for Lonrho'

Mr Julian Ogilvie Thompson, Anglo chairman, says the group has "no inteotion of making a general bid for Lonrho" but that it supports Mr Bock's plans to demerge Lonrho's mining arm. That suggests Anglo will not increase its stake to 30 per cent, at which point it would be required to make an offer to shareholders, before a demerger is completed.

But analysts see Anglo's acquisition of Lonrho's mining interests as another step in its conversion from a sprawling conglomerate to a focused global resources business.

Mark Ashurst

Thomson unit sees return to profit

By David Owen in Paris

Thomson-CSF, the professional electronics arm of the Thomson gronp, whose privatisation is sparking controversy in France, yesterday predicted it would return to profit in 1996 after more than FFr4.5bn ($881m) of losses in the past three years.

The forecast – which may trigger more criticism of the French government's decision to sell Thomson to the Lagardère defence group – came as the compeny reported a modest 8.7 per cent advance in first-balf net profits, from FFr364m to FFr396m.

The company justified its forecast by "the disappearance of the negative effects of the past three years" linked to the company's stake in Crédit Lyonnais, the trouhled state-owned bank.

In April, Thomson announced that the French government had agreed to pay a minimum FFr3.3bn for its 21.93 per cent stake in the bank – a move entailing a substantial write-off of the value of Crédit Lyonnais shares and investment certificates on Thomsou's books.

Thomson-CSF's 1995 net loss of FFr791m included a negative contribution from Crédit Lyonnais of FFr1.84bn. This followed similar negative contribntions of FFr1.55hn and FFr3.75bn in the two previous years.

Yeeterday's figuree, released after the close of the Paris stock market, included a comparatively modest Crédit Lyonnais-related charge of FFr82m.

By contrast, the contribution from the company's stake in SGS-Thomson, the Franco-Italian semiconductor maker, rose strongly from FFr220m to FFr290m. Thomson-CSF said tbis helped to offset the dilution of its stake in the chipmaker from 20.2 per cent to 17.3 per cent.

There was a strong advance, from FFr784m to FFr940m, in Thomson-CSF's operating profits. The group attributed the improvement to a hetter performance from its detection and missiles-systems division and its aeronautical equipment unit. Turnover rose nearly 6 per cent, from FFr15.5bn to FFr16.4bn.

● Mr Bae Soon-Hoon, chairman of Daewoo Electronics, said his company's planned purchase of Thomson's subsidiary, Thomson Multimedia, from the French government was the "best choice for France," adds AFX Asia in Seoul.

In an interview with Chosun Daily, he said: "If companies other than Daewoo take over Thomson, they would rednce its workforce and prodnction," he said. Daewoo has said it will create 5,000 jobs at Thomson Multimedia.

"Daewoo Electronics is almost the only company in the world to keep strengthening its TV business," he added.

EUROPEAN NEWS DIGEST

Thyssen Stahl to sell steel plants

Thyssen Stahl, the subsidiary of Thyssen of Germany, said it has signed a declaration of intent to sell its Ruhrort steel plant and its Walzdraht Hochfeld unit to Georgsmarienhuette. Under the terms of an agreement signed yesterday, the two plants will be sold with retrospective effect from October 1 1996, Thyssen Stahl said. The terms of the sale were not disclosed, but the plants represent annual output of 1.5m tonnes, or about DM1bn ($662m). The move would enable Thyssen Stahl to concentrate on sheet steel production in future, the company said.

Georgsmarienhuette will take over the employees concerned, Thyssen Stahl said. A legally binding agreement will follow shortly, once the plans have received the necessary approval of the supervisory boards, Thyssen Stahl said. Shares in Thyssen closed down DM2.90 at DM267. *AFX News, Duisburg*

Richter to launch new drug

The share price of Richter Gedeon, one of central Europe's largest pharmaceutical producers, soared 200 points to close at Ft8,450 on the Budapest Stock Exchange yesterday after the company announced it was launching a new drug. Richter will launch the drug, Curiosin, a wound healing agency, in Hungary today and has begun to register the product in other countries in the region.

The state is expected to sell all or part of its remaining 29 per cent stake in the company, one of Hungary's leading exporters, in the first balf of next year. The company is majority-owned by institutional investors following two international offerings. Since the last offering a year ago, the company's share price has more than quadrupled and is a factor behind this year's spectacular rise in the BSE. The Bux index rose 75 points to close at 3,593 yesterday, up from 1,529 at the beginning of the year.

Richter, whose largest export market is the former Soviet Union, has reported net profit of Ft6.53bn ($42m) on sales of Ft18.07bn in the first half, up from Ft4.76bn on 13.44bn in the same period last year.

Virginia Marsh, Budapest

Pinault lifts sales 1.8%

Pinault-Printemps-Redoute, the French retailer, reported sales in the first nine months of 1996 at FFr56.7bn ($11.1bn), up 1.8 per cent on a year earlier. Pinault-Printemps-Redoute's electrical equipment retail unit Rexel posted nine months sales of FFr17.641bn, up 7.7 per cent on a year earlier. The shares were up 0.4 per cent at FFr1,890. *AFX News, Paris*

Sanofi shows improvement

Sanofi, the French pharmaceuticals group, said sales in the nine months to September rose 1.5 per cent from FFr16.728bn to FFr16.98bn. On comparable structure and exchange rates, sales rose 2.9 per cent, Sanofi said. Sanofi's shares rose 0.6 per cent at FFr449. *AFX, Paris*

Telefónica del Peru ahead

Telefónica del Peru, the Lima Stock Exchange's benchmark company which is majority owned hy Telefónica de España, saw net income rise from 161m new sol to 252m new sol ($98m) in the third quarter of 1996. Revenues for the quarter were 794m new sol, but no comparative figures was given. *Reuter, Lima*

Micro Car chief appointed

The Micro Compact Car joint venture between SMH of Switzerland and Mercedes-Benz said Mr Lars Brorsen had been appointed chief executive effective early in 1997. Mr Brorsen is currently vice-president of Germany's TRW Occupant RestraintSystems. *AFX News, Biel*

Cyprus issue oversubscribed

The Bank of Cyprus announced yesterday its issue of C£40m ($86m) subordinated convertible bonds had been oversubscribed, with about 100 investors, mainly European banks, expressing "tremendous interest".

Mr Solon Triantafyllides, group chairman, expressed "pleasant surprise" because this is the first time any Cypriot financial institution had issued international securities in Cyprus pounds.

After roadshows in Geneva, Zurich, Boston, New York and London, assisted hy Salomon brothers and ING Barings and Schroders, acting as lead manager and co-lead managers respectively, the Cypriot bank received offers exceeding C£145m.

The BoC bonds, already listed on the Luxembourg stock exchange, will carry an annual interest rate of 6.75 per cent and will be converted at C£3.97 per share. "It's a great show of trust in the Cyprus economy and our group. The fact thet we had a high credit rating from Moody's also helped," Mr Triantafyllides said.

The C£40m bonds issue, which will raise the group'e capital base to C£220m, will be used mainly to promote the bank's expansion plans in Greece, he said.

Andreas Hadjipapas, Nicosia

French court delays BA bid

British Airways said yesterday thet e French commercial court would decide on November 5 on the offer by BA and Rivaud Bank, the French institution, to acquire the insolvent French airlins Air Liberté. BA said the delay was ordered after the court'e request for additional information. The Creteil court had originally been due to decide today whether to accept the offer, which would see BA take a 70 per cent stake for a FFr440m ($86m) investment, while Rivaud would have 30 per cent after an additional FFr190m investment.

Mr Gilles Baronie, Air Liberté administrator, said thet a possible bid from Mr Richard Branson's Virgin Express had not materialised. Air Liberté went into administration on September 26. *Reuter, Paris*

Comments and press-releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Industry hopes for swift growth after DVD's troubled birth

Robbed of a Christmas launch, groups face struggle to restore retailers' confidence

Executives from the entertainment, electronics and computing industries have for months been locked in talks in Washington, trying to thrash out a copyright protection agreement for a potentially hot new product.

Digital video discs (DVD), the advanced compact discs used for playing films or storing data, were intended to go on sale this summer. The launch was delayed while the three industries haggled over copyright issues. But on Tuesday they agreed terms for an encryption system which will prevent the discs being pirated.

There are still technical and legislative issues to be resolved, but the industries are pressing ahead with plans to introduce the first generation of DVD hardware and software. The copyright wrangle has robbed them of the chance of staging a full launch in time for Christmas, and they now face the challenge of restoring confidence in their long-delayed product.

Even during the rockiest period of the copyright negotiations, the battling camps agreed on one thing: that DVD has the potential to become a significant source of hardware and software sales in both the computing and entertainment sectors.

There are two types of digital disc. One is the DVD entertainment system, which can play films with superior sound and picture quality to video cassettes and also offers extra facilities such as multi-language soundtracks. The second format is the DVD-Rom data storage system, which will be marketed as an advanced version of computer disks and CD-Roms.

Both the entertainment and computing industries welcome the opportunity of nurturing a new market thanks to DVD. The Hollywood film studios see it as a potentially lucrative source of software sales, which should be more profitable than video cassettes, where margins are tight, particularly in the rental sector. Similarly, the computing industry regards DVD-Rom as an attractive addition to its product range.

By contrast, DVD's progress is of critical importance to consumer electronics companies, which desperately need the frisson of an exciting new product at a time when many are under intense financial pressure.

The entire industry has been dogged by sluggish sales in recent years as the audio-CD players and video recorders that drove its growth in the 1980s have reached maturity, and consumer expenditure has been diverted from conventional electronic products to personal computers.

Weak demand, coupled with fierce competition from fast-expanding South Korean manufacturers such as Samsung, Daewoo and LG, has triggered a vicious cycle of price cutting, squeezing profitability for many companies.

These problems were aggravated for Japanese groups, such as Sony, Toshiba and Matsushita, by the yen's strength in the early 1990s, although the pressure has eased as the yen has weakened recently. In Europe, Philips of the Netherlands recently announced 6,000 job losses over the next 18 months, while France's Thomson Multimedia is to be sold to Daewoo.

All these companies have invested heavily in developing DVD, hoping that the entertainment systems will provide a stimulus for the conventional electronics market, and that DVD-Rom will provide an entrée to the buoyant computing market.

Originally they had hoped that the first DVD entertainment systems would go on sale in Japan and North America at the end of this summer, with the European roll-out and launch of DVD-Rom following next year. Those plans were scuppered by the copyright argument as manufacturers could not risk introducing hardware without being assured of a plentiful supply of Hollywood software.

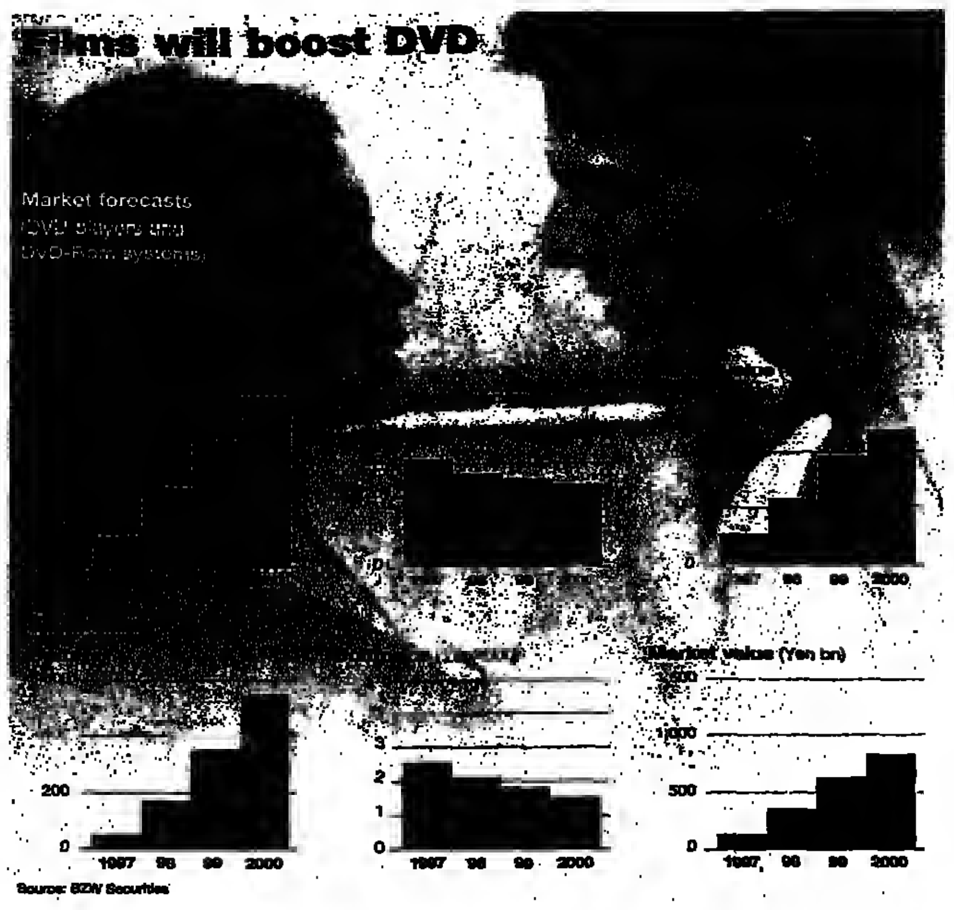
Matsushita now intends to introduce its first DVD players in Japan next month and in Germany next February. Its rivals are finalising their launch schedules, although many of them, notably Sony, do not envisage bringing out DVD until spring 1997.

It is too late for the industry to establish DVD in consumers' minds by this Christmas. And as Christmas is such a busy period of the year for electronics sales, this means that the launch has in effect been postponed for a year.

Analysts are reassessing their estimates for DVD and DVD-Rom's sales potential. One early forecast, from BZW Securities in Tokyo, was that DVD hardware and software sales would be worth Y2,025bn ($17.75bn) worldwide by 2000. That may now take a little longer to achieve.

The industry is confident the delay will have little effect on public perceptions of DVD and DVD-Rom, given that most consumers were unaware of the copyright battle. However, some manufacturers suspect it may take time to restore retailers' confidence in the product after such a troubled birth.

Alice Rawsthorn



Source: BZW Securities

Banca di Roma rating lowered

By Robert Graham in Rome

IBCA, the European credit rating agency, yesterday announced it was downgrading the individual rating of Banca di Roma, Italy's largest commercial bank in terms of assets.

The agency said it was changing Banca di Roma's rating from C to C/D. However, it maintained the short and long-term ratings at A1 and A+, respectively.

Banca di Roma, which is one-third owned by IRI, the Italian state holding company, is still digesting the acquisition last year of the Banco Nazionale dell'Agricoltura. At the same time it has yet to come to terms fully with its organisational structure – the result of the merger of three banking institutions between 1992 and 1993 (Banco di Roma, Banco di Santo Spirito and Cassa di Risparmio di Roma).

"Profitability remains depressed as the bank is still dealing with a high cost structure inherited from the merger and with a relative deterioration in its asset quality indicators," IBCA said. "As a consequence we expect loan loss provisions to remain high in the [near] future."

Banca di Roma yesterday declined to comment on the downgrading. The bank, which accounts for some 5 per cent of Italian banking business, has traditionally been closely linked to the Italian political establishment, with a strong presence in central Italy. It is the last of the banking assets held by IRI yet to be privatised.

No reason has ever been advanced for the failure to privatise Banca di Roma. But it appears there have been few prospective buyers. Moreover, debt-ridden IRI is reluctant to permit a sale that would mean a substantial write-down of the book value of its stake. IRI itself exercises no control over the bank's management, headed by the powerful chairman, Mr Cesare Geronzi.

The bank reported a first half net profit of L71bn ($46.8m), up 38 per cent on the same period the previous year. However, the ratio of loan provisions to total loans was at 9.3 per cent, well above the banking system average. The Bank of Italy is understood to have completed an inspection earlier this year, and IBCA noted "pre-provisioning profitability is increasing in 1996".

Talks are due to begin this week with trades unions on job restructuring which, according to Mr Geronzi, could involve cuts of up to 3,500 in the 23,000 strong workforce.

BCP adopts novel banking concept

By Peter Wise in Lisbon

Banco Comercial Português, which acquired Banco Português do Atlântico in 1995 to become Portugal's second-largest bank, is to relaunch BPA's branch network using an innovative commercial concept likened to a "financial supermarket".

BCP, announcing a 10.2 per cent rise in net earnings for the first three-quarters to Es15.7bn ($102.7m), said 40 remodelled BPA branches, to be known as Atlântico shops, would open in December. The concept would be extended in 1997 to almost all BPA's 250 branches.

BCP has been trying improve the performance of BPA, a bigger but less-efficiently managed bank, since it bought the group for Es308bn in January 1995 in partnership with Império, a leading insurance company.

The Atlântico shops will replace the traditional bank counter with large open-plan offices, where customers can approach separate desks handling specific financial products and services. Many will be adjoined by "self-service shops" where customers will have 24-hour access to automatic teller machines and other electronic services.

"The idea is akin to a financial supermarket," said Ms Graça Graça Moura, an analyst with Banco Português de Investimento. "It should prove popular with customers and will substantially improve the potential for cross-selling products within the group."

Two other BCP innovations include the launch next Monday of Seguro Direct, Portugal's first car insurance company to handle business only over the telephone, and the start-up later this year of Expresso Atlântico, a bank whose branches will all be located in the supermarkets of Jerónimo Martins, Portugal's second-biggest food retailer.

BCP's third-quarter results were in line with most analysts' expectations. The 10.2 per cent rise in net consolidated profit follows a capital increase in the second quarter, from Es109.7bn to Es136.7bn. Earnings per share fell from Es129.70 in the first nine months of 1995 to Es128.20.

Earnings were supported by strong financial trading gains of close to Es36bn, but analysts were encouraged by an increase in the group's average financial margin from 3 per cent to 3.2 per cent.

Enel set to nominate telecoms partners

By David Lane in Rome

Enel, Italy's state electricity corporation, will announce in the next few weeks the names of the partners with which it will develop its own telecommunications network.

Mr Chicco Testa, who was appointed chairman in June, said the group had been talking with foreign and Italian companies. It would choose industrial and financial partners to strengthen its efforts to enter telecoms.

The company already has a nationwide telecoms system designed to manage Italy's electricity system. The network includes traditional and fibre optic lines, and radio bridges.

"We want to participate in the competition for Italy's third mobile licence, planned for the beginning of next year, and to be ready for the liberalisation of fixed telephony services at the start of 1998," Mr Testa said.

Following a recent reorganisation of its core business, Enel will be operating along divisional lines from January. Each of its three divisions – electricity production, transmission, and distribution – will be managed and report separately.

The change paves the way for spinning off electricity transmission grid operations into a new and wholly independent company, which is what Italy's competition authority wants.

Enel is one of Italy's leading privatisation candidates. However, plans to make an initial public offering of its shares were aborted earlier this year, after the prospectus and advertising campaign had been prepared. The government now hopes to float the company in the second half of next year.

Enel's IPO is likely to encounter opposition. Further reorganisation of the corporation, including establishment of an independent grid company and disposal of part of production capacity, is the main bone of contention.

"The debate about selling Enel first and then reorganising, or reorganising first and then selling has been used to block progress," Mr Testa said. He added it was possible to achieve both further restructuring and an IPO next year.

The corporation is currently preparing its 1997 budget, which is likely to include a further cut in investment. Heavy spending on new plant during the past decade, a slowing in the growth of electricity demand, and the growing role of Italy's independent power producers will allow Enel to spend less on investment than last year's L7,459bn ($4.9bn).

Cut in loan losses helps Nordbanken

Nordbanken, the Swedish bank, posted operating profits after provisions up 12.6 per cent, from SKr5.09bn to SKr5.74bn ($875.9m), for the first nine months, reports AFX News in Stockholm. The results were above expectations and Nordbanken shares rose SKr1.5, to SKr169.5, yesterday.

Net income rose from SKr3.68bn to SKr4.04bn and earnings per share increased from SKr17.09 to SKr18.77. However, net interest income fell from SKr8.67bn to SKr8.08bn. The results were boosted by a fall in loan-loss provisions from SKr966m to SKr489m. Nordbanken attributed the third-quarter profit rise to a strong improvement in net income from financial operations, sharply reduced loan losses and lower operating costs.

Nordbanken said a continuing decline in interest rates had a favourable impact on profits, largely through higher bond prices and the settlement of problem loans. The decline in loan losses in the period was also because of a reversal of a substantial loan-loss reserve in the second quarter, the bank said.

It said there was also a sharp improvement in income from financial operations, continuing the trend set in the second half of 1995. But net interest income fell 7 per cent in the nine-month period, despite an average 11 per cent rise in loan volumes. This largely reflected the cost of the government's guarantee of deposits, which became effective in 1996. Nordbanken said its portion of these costs amounted to more than SKr200m.

Nordbanken said the negative trend in net interest income since autumn 1995 might be abating, with volumes increasing sharply. Lending had also begun to rise, although much of this was not seen until late in the third quarter, the bank said.

Net commissions were virtually unchanged. Commissions from securities trading and those related to the restructuring of the power industry were offset by higher commission expenses. Nordbanken said declining market interest rates provided a favourable environment for growth in net income from financial operations, which amounted to SKr1.03bn, up SKr661m from a year ago.

CONTRACTS & TENDERS

GOVERNO DO ESTADO DE SÃO PAULO

ELETROPAULO - ELETRICIDADE DE SÃO PAULO S.A.
C.G.C. 61.695.227/0001-93

INVITATION FOR BIDS

INTERNATIONAL PROCUREMENT Nº CC-AC-001/96

ELETROPAULO-Eletricidade da São Paulo S.A. hereby publishas an International procurement, through a competitive bidding process to be judget on the basis of technical aptitude and price, for the contracting of SPECIALIZED CONSULTING SERVICES FOR THE PRIVATIZATION OF ELETROPAULO-ELETRICIDADE DE SÃO PAULO S.A., in accordance with Law 8.866 of 21/06/93 as altered by Law 8.883 of 08/06/94, São Paulo State Law nº 6.544 of 22/11/89 and Eletropaulo's Bidding Regulations published in the São Paulo State Gazette on 18/10/94.

The Bidding Documents containing the requirements for participation as well as all other relevant information will be available for inspection by those interested, as from 31/10/96, at the "Recepção de Fornecedores", at Avenida Alfredo Egydio de Souza Aranha, 100, ground floor, Jardim Santo Antonio, São Paulo - S.P., between the hours of 8:30 and 11:30 AM and 2:00 and 4:00 PM.

A set of Bidding Documents may be obtained at the same address within the same hours, between 31/10/96 and 20/12/96, for a fee of R$ 300,00 (three hundred reals)

Presentation of Bids is scheduled for 09/01/97, at 2:30 PM, at rua Augusta, 1.600, ground floor.

Directorate of Administration

SECRETARIA DE ENERGIA

ELETROPAULO ELETRICIDADE DE SÃO PAULO S.A.

CONTRACTS & TENDERS

PETRÓLEO BRASILEIRO S.A. PETROBRAS

BOLIVIA-BRAZIL GAS PIPELINE

INTERNATIONAL COMPETITIVE BIDDING

PETROLEO BRASILEIRO S.A. - PETROBRAS, shell contract through the biddings documents nº 578-9-502-96 and nº 578-9-002-96 the Compression Stations located in YACUSES (Bolivian spread of the Bolivia-Brazil Gas Pipeline) and the Station located in Campo Grande (MS), Penápolis (SP) Araucaria (PR) and Florianópolis (SC), on the Brasilian spread. These Stations will meet the initial demand of the gas market in the metropolitan regions comprised between the states of Mato Grosso da Sul and Rio Granda do Sul.
The Biddings will be made under the IBRD's and IDB's rules and procedures and its purpose is the complementation of basic design, detailed design, the civil construction and the electromechanical assembly, commissioning, pre-operation and start up. The biddings also includes the supply of all equipment and materials.
As of October 30, 1996, interested bidders, from eligible countries, members of the WORLD BANK (IBRD) and of the INTER-AMERICAN DEVELOPMENT BANK (IDB) may obtain the bidding documents through the payment of a non-refundable amount equivalent to US$ 1.500,00 (one thousand and five hundred dollars) for each bidding, or consult these Biddings, Documents, without any expanse, at the following addresses:

BRAZIL: PETRÓLEO BRASILEIRO S.A. - PETROBRAS
SEGEN/GASBOL
Rue General Canabarro, 500 - 6º andar
Telex: (55) 21-40491
Telephone: (55) 21 566.3733
Telefax: (55) 21 566.5299 / 566.5723

and/or

BOLÍVIA: PETROBRAS BOLIVIA S.A.
3er Anillo entre Av. Piraí y Av. Grigotá
Complejo Diamond Shamrock
Santa Cruz de la Sierra - Bolivia
Telephone: (591-3) 53.2398 / 52.8781
Telefax: (591-3) 62.8507

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.10.96: Pool purchase price £/MWh	Final Prices for Trading on 03.10.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.91	11.71	11.71
0100	12.91	11.71	11.71
0130	12.91	11.77	11.77
0200	12.91	11.71	11.71
0230	12.91	11.71	11.71
0300	12.91	11.71	11.71
0330	12.91	11.71	11.71
0400	12.91	11.71	11.71
0430	11.67	11.71	11.71
0500	11.63	11.71	11.71
0530	11.63	9.02	9.02
0600	11.66	9.06	9.06
0630	11.68	11.75	11.75
0700	11.69	15.90	17.47
0730	17.55	16.84	18.84
0800	17.65	18.05	20.04
0830	17.92	24.70	26.82
0900	19.18	25.68	27.94
0930	27.49	32.78	35.23
1000	60.22	40.37	42.90
1030	60.06	40.23	42.73
1100	27.49	32.81	35.25
1130	27.80	33.19	35.75
1200	27.78	33.48	36.12
1230	27.45	33.09	35.61
1300	26.85	25.18	27.43
1330	18.02	24.06	26.04
1400	17.90	17.22	19.06
1430	17.84	17.13	18.93
1500	17.82	17.06	18.85
1530	17.81	17.06	18.83
1600	12.56	17.48	19.35
1630	21.47	25.26	27.49
1700	104.29	39.57	42.05
1730	178.97	39.76	42.28
1800	196.81	39.26	41.88
1830	134.63	29.70	32.78
1900	60.74	45.23	49.44
1930	33.96	49.81	54.13
2000	23.35	46.95	50.76
2030	20.90	27.79	30.32
2100	17.73	25.42	27.37
2130	17.57	16.65	18.33
2200	17.54	15.94	17.52
2230	25.88	15.53	17.10
2300	25.88	15.89	17.46
2330	17.54	11.73	11.73
2400	13.18	11.77	11.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.
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COMPANIES AND FINANCE: ASIA-PACIFIC

JAL blames soaring fuel prices for 61% fall

By Michiyo Nakamoto in Tokyo

Japan Airlines yesterday blamed a sharp rise in fuel prices and payments to an early retirement scheme for a 61 per cent fall in first-half recurring profits, in spite of higher revenues.

The airline, which derives more than 50 per cent of revenues from the increasingly competitive international market, saw interim recurring profits fall to Y5bn ($43.8m) from Y12.9bn. This was in spite of a 7 per cent rise in overall revenues, to Y600bn, on the strength of increased sales from international passenger, cargo and mail services, which were also boosted by the weaker yen.

JAL blamed the weaker profits on a Y14.6bn rise in its fuel bill – because of a surging oil market and low stocks in the past year – which offset the currency benefits. The company also had to overhaul a larger number of its engines than usual, pushing costs up 9 per cent, JAL said.

JAL was also forced to take a Y4.8bn charge to cover early retirement and other severance payments to 405 employees who opted to leave the airline during a voluntary redundancy programme launched in the first half. JAL said it was on target to meet its goal of reducing the number of employees from 21,650 in April 1994 to 17,000 by the end of March 1998.

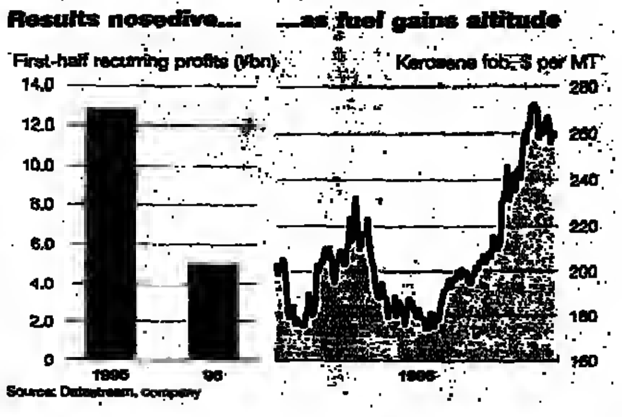
International passenger traffic rose 7 per cent rose during the term, and yields held up for flights leaving Narita, the international airport serving the Tokyo area. However, JAL said it had suffered a sharp downturn in yields out of Kansai, the new international airport that serves western Japan.

Demand for flights out of Kansai had not grown as expected, resulting in too many flights which pushed down fares. This was aggravated by the Kobe earthquake at the beginning of last year, which hit international travel to and from the region.

JAL said the second half – normally the quietest – would also be difficult. It revised its outlook for the full year, to break-even at the recurring profit level, rather than profits of Y5bn as forecast. Revenues, however, will rise to Y1,177bn from a previously forecast Y1,167bn.

● Higher fuel prices did not stop Japan Air System, the country's third-largest airline, from posting a 44 per cent rise in recurring profit to Y5bn on revenues up 9 per cent at Y165.85bn. It cited increased domestic demand and cost-cutting.

Results nosedive... ...as fuel gains altitude



Source: Datastream, company

Shiseido beats forecast

Shiseido, the leading Japanese cosmetic maker, yesterday reported better-than-expected first-half sales and profits, reports Gwen Robinson in Tokyo. It predicted, however, that increased competition in the second half would hold full-year sales to forecast.

Net sales rose 3.8 per cent from a year earlier, to Y194.21bn ($1.7bn), about Y3.2bn above initial estimates. Recurring profit climbed 8.2 per cent to Y18.1bn, about Y1bn higher than expected, while net profit increased 9.4 per cent to Y8.02bn. Mid-term dividends will remain unchanged from a year earlier at Y6.25 a share.

A five-year management plan was launched in the first half, concentrating on further internationalisation of products and operations. The intention is to capitalise on steady growth in Shiseido's mainline cosmetics business, both in Japanese and overseas markets.

Shiseido expects the cosmetics market to remain challenging in the second half.

The toiletries market was slack amid falling prices, prompting Shiseido to cut costs and launch new products.

Shiseido lifted its initial projections for full-year recurring profits 4 per cent, to Y32bn. Net profit is expected to rise marginally, to Y15bn, from last year's Y14.2bn.

Japan regional bank unveils Y3.4bn fraud

By William Dawkins in Tokyo

Another red-faced Japanese bank yesterday revealed it had been the victim of a costly fraud by one of its employees.

Biwako Bank, a medium-sized regional lender in Shiga, western Japan, said a former employee had embezzled Y3.4bn ($29.8m). Tba loss at Biwako, a 4.9 per cent-owned affiliate of Sumitomo Bank, the big commercial bank, was the latest of several reminders of the vulnerability of Japan's smaller banks. It contributed to a share price fall in Tokyo yesterday.

Trading in Biwako'a shares was suspended on the Osaka and Kyoto exchanges – it is not listed in Tokyo – and a senior finance ministry official called on investors to stay calm.

Biwako expects to recover only Y400m of the embezzled cash, and said yesterday it would offset the rest from core profits, and sales from its securities portfolio.

Plastics weakness hits ICI Australia

By Nikki Tait in Sydney

Sharply lower results from its plastics and chemicals interests left ICI Australia reporting a 27 per cent drop in net profits to A$197m (US$155.9m) in the year to the end of September.

It blamed the weakness in these divisions on tough trading conditions in housing and construction.

The group was also cantions abont the current financial year. "The result will remain dependent on the level of activity in the Australian economy, particularly the bousing and construction sector, and on the strength of international plastics and cbemicals prices," it said.

Nevertheless, Mr Warren Haynes, managing director, stressed the company would continue its push into Asia, where it now has explosives operations in Indonesia, e plastics extrusion business in Malaysia, and e resin joint venture in China.

"I see this continuing in 1997, possibly with some further investments of up to A$100m," he said.

Mr Haynes also said recent capital projects could help the company's competitive position.

But he again played down suggestions that the UK parent company was likely to buy out the 38 per cent of ICI Australia which it does not own.

ICI Australia's net profit figure came after an abnormal charge of A$23m related to restructuring costs. Total sales rose from A$3.36bn to A$3.46bn, while trading profit before abnormals fell from A$420m to A$372m.

The plastics division was worst hit, making only A$2m, compared with A$73m previously. The company said prices fell about 25 per cent, owing to lower international prices, a strong dollar and reduced tariffs. Chemicals profits dipped from A$113m to A$96m as increased raw material costs and pricing pressures cut margins.

The fertilisers and crop care division posted higher profits, at A$77m, as did mining services, with A$88m.

ICI Australia shares rose 15 cents, to A$12.50, on the news.

ASIA-PACIFIC NEWS DIGEST

Cost cuts help lift Sumitomo Chemical

Sumitomo Chemical reported a 55 per cent rise in parent company recurring profits for the first half of the year, helped by cost-cutting measures which offset a rise in raw material prices and a fall in product prices.

Sales rose 3 per cent, from Y289.3bn to Y298.1bn, and recurring profits increased from Y7.7bn to Y11.9bn. Net profits improved from Y4.4bn to Y5.8bn. Sumitomo said it was hurt by the fall in international prices of methanol and other basic chemicals, while prices of polyolefin and styrene monomer also fell. *Michiyo Nakamoto, Tokyo*

Korea Telecom tries again

The South Korean government will next month make another attempt to sell 4.6 per cent of Korea Telecom to domestic investors, after failing two weeks ago. It is seeking to raise Won500bn ($600m) from the November 11-12 sale of 13.29m shares of the telecommunications group, in which the state holds 80 per cent.

Korea Telecom is gradually being privatised, with the government so far placing shares among domestic institutional investors through auctions. Shares will be available to foreign investors and the public once Korea Telecom is listed on the Seoul bourse, probably next year.

Poor stock market conditions resulted in the government selling only 152,000 shares on October 14, for a total of Won6.8bn. In an effort to improve prospects this time, it has lowered the selling price to Won37,600 a share from Won44,500, and scrapped a rule barring stockholders from selling the shares within the first six months after listing.

However, the Korea Telecom sale next month coincides with the largest monthly volume of initial public offerings and other share issues on the Seoul bourse, which is already-suffering from weak liquidity. *John Burton, Seoul*

Chip weakness hits Acer

Problems in the semiconductor industry and sluggish computer sales have buffeted the bottom line at Acer, the Taiwanese computer maker, although it sees signs of improvement. Net profits slid sharply in the first nine months, from T$3.49bn to T$2.22bn (US$80.5m). Turnover edged up from $T40.05bn last year to T$42.11bn.

The company blamed the lacklustre results on steep falls in semiconductor prices and a poor performance in the global personal computer market. Acer's chipmaking arm, TI-Acer, contributed more than half of the group's net earnings last year. The dynamic random access memory (D-Ram) chips produced at its plant, a joint venture with Texas Instruments of the US, have experienced severe price falls.

Acer expects sales to pick up during the fourth quarter. Further erosion of earnings should be also limited because prices of D-Ram chips have stabilised. *Laura Tyson, Taipei*

Burns Philp improves

Burns Philp, the Australian food ingredients group, yesterday announced a sharp improvement in first-quarter profits, with the after-tax total in the three months to the end of September at A$17.6m (US$13.9m), compared with A$12.4m last time. Sales from ongoing businesses were 1 per cent higher at A$479.5m.

The company, which slimmed down its operations to concentrate on food ingredients, incurred a A$61.8m loss last year. This was partly because of a price war in the North American spices market. *Nikki Tait, Sydney*

Woodside Petroleum up 25%

Revenues at Woodside Petroleum, the Australian oil and gas company and operator of the North West Shelf project in Western Australia, climbed 25 per cent, to A$550.6m (US$435.2m) in the first nine months of 1996. For the third quarter, the figure was A$184.9m, compared with A$151.4m a year ago. The increase is largely because of higher production and sales of liquefied natural gas and condensate, and of crude oil, which came on stream at the end of 1995. *Nikki Tait*

Asahi Glass flat halfway

Weak demand from the Japanese construction industry caused Asahi Glass, Japan's largest glass producer, to report stagnant profits on a slight decline in sales for the six months to September.

Asahi yesterday unveiled e 0.3 per cent rise in unconsolidated recurring profits – before tax and extraordinary items – to Y14.37bn ($125.9m), on sales down 4.4 per cent to Y434.23bn. Net profits rose 15.4 per cent to Y9.49bn. Asahi expects e better performance in the current six months, and is forecasting a 3.8 per cent rise in profits to Y30bn for the full year io March, but on a 2.8 per cent decline in sales to Y880bn. *William Dawkins, Tokyo*

Anhui Expressway issue

Anhui Expressway, which builds highways in the eastern Chinese province of Anhui, yesterday unveiled details of its overseas share issue. The company will become China's 22nd former state-owned enterprise to ettain a Hong Kong listing and trade so-called H-shares.

Anhui Expressway seeks to raise HK$872.6m (US$112.9m) through the sale of 493.01m H-shares at HK$1.77 each. Of these, 85 per cent will be placed, with the balance being sold in Hong Kong through an initial public offering. Dealing in the shares ie expected to begin on November 13. Crosby Capital Markets (Asia) and CEF Capital are sponsors and lead underwriters of the issue. *Louise Lucas, Hong Kong*

Wheelock closes funds side

Wheelock NatWest, the investment bank set up two years ago, is today winding up its 12-strong fund management division. The closure follows the acquisition by NatWest Markets – the global corporate and investment banking arm of National Westminster Bank of the UK which co-owns Wheelock NatWest - of Gartmore, the fund management group.

NatWest Markets bought Gartmore in February for about £472m ($755.2m). The move prompted Wheelock, a Hong Kong conglomerate, to launch a search for a new partner for the fund management business. However, after negotiations with a number of parties collapsed, it was forced to call off the hunt and settle for winding up the division. *Louise Lucas*

Solid growth at PLDT lifts Manila market

By Edward Luce in Manila

Buoyant results from the Philippine Long Distance Telephone company, the former state-owned monopoly, lifted the Philippine stock index yesterday as traders pushed PLDT's shares up 40 pesos to 1,585 pesos. The overall market closed 23 points up at 2,927.

PLDT, the most watched Philippine American Depositary Receipt in New York, said higher call volumes and lower operating costs pushed net earnings up 32 per ceni to 4.67bn pesos ($177.7m) in the first nine months of the year. Net revenues rose 16 per cent to 21bn pesos.

Tbe ADRs, which closed $1.78 higher at $59.18 on Tuesday, are expected to rise further following the results.

The company, which saw its market share decline from 81 per cent to 79 per cent in the first nine months as new competitors strengthened their customer base, said it had also benefited from a change in the tax system. Earlier this year, the government abolished the 3 per cent franchise tax, which PLDT paid, and replaced it with a 10 per cent VAT passed directly on to customers.

"PLDT"a market share will continna to decline, but the pie as whole is growing fast enough for it to make profits on this scale," said Ms Gina Dipaling, analyst at Asia Equity Securities in Manila.

"The company's fundamentals are sound, although there is some cause for worry over its gearing ratio."

With a debt-to-equity ratio of 100 per cent, analysts say PLDT remains vulnerable to a sudden downturn in call volumes. Most of the company's debt bas been issued in the form of low-intarest overseas convertible and standard bonds, with US$750m issued since 1993. But the growth in the market this year – with call volumes rising 35 per cent and PLDT's customer base growing 24 per cent to 1.36m users – cannot be guaranteed annually.

Operating costs rose just 4 per cent to 12.83bn pesos from January to September.

PLDT executives say the company's redundancy programme, which has cut employee numbers 10 per cent in the last 20 months, and the move to digitalise its telephone network – 73 per cent of Manila is now digitalised, compared with 37 per cent in 1994 – will keep a lid on expenses.

COMPANIES AND FINANCE: THE AMERICAS

Tandem to move into Internet market

By Louise Kehoe in San Francisco

Tandem Computers yesterday launched a strategy for growth that included new products and a move into the Internet and corporate intranet markets.

Tandem, a leader in fault-tolerant computers – systems that remain running in spite of component failures – has suffered from the global growth of industry-standard open systems in place of proprietary technology.

Mr Roel Pieper, who took over as vice-chairman and chief executive in January, has devised a two-pronged strategy to put Tandem back on a growth path. The moves will take Tandem away from proprietary computers and into personal computer technology.

The first step was the launch of a series of servers that apply Tandem's "clustering" software – the core of its proprietary, fault-tolerant systems – to industry-standard servers built using Intel Pentium Pro chips and running on Microsoft's Windows NT software.

Mr Chris Rooke, Tandem's vice-president of corporate marketing, said: "We expect Tandem to now be on our customers' vendor list when they're looking at using Windows NT in more business-critical applications. Yes, we do expect to open new accounts, but we expect to still be Fortune 500-class customers."

Tandem is also planning to bring its expertise in highly secure, online transaction processing to the Internet and corporate intranets. A pioneer in online transaction processing, Tandem systems handle 80 per cent of the world's automatic teller machine transactions, 66 per cent of credit card transactions and 90 per cent of securities transactions. Banks, telephone companies and stock exchanges still rely on Tandem's fault-tolerant computers for their heavy-duty computing.

Tandem technologies used to create these critical, high security networks will now be applied to the Internet and corporate intranets, said Mr Pieper, to create Web sites where information could be exchanged securely. This will include multimedia facilities – with video, graphics and sound delivered to computers – as well as monetary transactions.

The company announced a line of servers aimed at telecommunications companies and Internet service providers, as well as at companies building internal intranets.

● Separately this week, Tandem announced the appointment of Mr Enrico Pesatori, a former Digital Equipment executive, as president and chief operating officer. At Digital, Mr Pesatori was in charge of the company's computer products group.


Enrico Pesatori: moved from Digital to Tandem

Bethlehem Steel to sell loss-making businesses

By Richard Waters in New York

Bethlehem Steel, the second-biggest steelmaker in the US, yesterday admitted defeat in its attempt to turn round a group of loss-making businesses and said instead it would sell or close them.

Together with a plan to write off a coke-making facility, the moves will result in an after-tax charge in the final quarter of this year of about $375m, it said.

The decision comes at a time when Bethlehem, along with other US steelmakers, is struggling to rebuild profit margins after a slump in steel prices during 1995. Prices of most grades of steel in the US have risen since early this year, but have been slow to feed through into the operating results of the steelmakers, much of whose sales are based on long-term contracts.

Bethlehem said yesterday that its basic steel business produced operating profits of $21 a ton of steel shipped during the third quarter of this year, before a restructuring charge, compared with $29 a year ago.

The latest results of other US steelmakers have also declined. On Tuesday, US Steel, the country's biggest producer, also reported operating profits on its core steel business of $21 a ton in the three months to the end of September, down from $43. US Steel's performance was hampered by relining and other work on three of its blast-furnaces, which cut its steel production by 14 per cent during the period.

Yesterday's announcement by Bethlehem failed to lift a stock price that, along with those of other steelmakers, has slumped this year. At midday in New York, the stock was unchanged at $8, down from about $15 at the start of the year.

Bethlehem said it would try to sell a number of businesses, to focus on its core operations of flat-rolled steel. This ends an attempt over the past two years to revive the units, involving a degree of new capital investment. If the businesses cannot be sold, they will be closed, Bethlehem added.

The units to be disposed of are Bethlehem's structural products division, which makes structural steel shapes for the construction industry; BethForge, which makes large steel parts for a variety of industries; Centec, which makes parts for rolling mills in the steel and other indnstries; and BethShip, a ship repair yard at Sparrow's Point, Maryland.

The last three of these businesses, for which results are reported separately, lost $24.6m on sales of $106m in the first nine months of this year. The four businesses in total employ 2,235 people.

For the latest quarter, Bethlehem reported net income of $11m, or less than 1 cent per ordinary share after paying dividends on preference stock, compared with $34.4m, or 22 cents a share, a year before. Sales fell by 4 per cent to $1.17bn. Steel shipments declined a similar amount to 2.2m tons.

US Steel's after-tax earnings fell from $85m in the 1995 quarter, or 94 cents per fully diluted share, to $70m, or 75 cents a share, in the latest period. Sales remained steady at $1.6bn, while steel shipments fell 5 per cent to 2.7m tons.


One of Bethlehem's cold sheet steel mills

Resignation at Microsoft prompts top-tier reshuffle

By Louise Kehoe in San Francisco

Microsoft has reshuffled responsibilities among its top executives following the resignation of Ms Patty Stonesifer as senior vice-president of the Interactive Media Division. She had been in charge of the company's broad range of consumer products.

Ms Stonesifer, who joined Microsoft eight years ago, is starting a new career as a management consultant. Her first client will be DreamWorks SKG, the Hollywood interactive media group.

Microsoft formed a joint venture with DreamWorks last year to produce interactive games and software. Ms Stonesifer will continue to be involved in this activity. She plans to remain with Microsoft until the end of the year.

"Patty has built the top consumer software business in the world," said Mr Bill Gates, Microsoft chairman and chief executive. She made incredible contributions in a variety of roles, and we will miss her."

Mr Gates also announced the realignment of Microsoft's product groups and the appointment of Mr Nathan Myhrvold to the new position of chief technology officer. He will oversee the company's $2bn annual research and development budget. Mr Myhrvold had been one of two executives in charge of applications software.

The new Platforms and Applications group will include Microsoft's top-selling products, including Windows and Office. The combination of these products in one group reflects the trend toward closer links between applications and systems software.

The group will be headed by Mr Paul Maritz, group vice-president and a member of the "office of the president". Mr Maritz had previously been in charge of the Platforms group.

The newly configured Interactive Media Group will include the Microsoft Network, the MSNBC television joint venture, multimedia games, consumer CD-Rom titles, hardware and the Microsoft Money program. It will be headed by Mr Pete Higgins, who is also a member of Microsoft's office of the president.

Unocal merges weaker assets ahead of possible sell-off

By Christopher Parkes in Los Angeles

Unocal, a leading US oil group, is to consolidate its west-coast refining, marketing and transport interests in a new subsidiary as a prelude to a possible sale of the under-performing assets.

The company, which earlier this week announced plans to invest $1.4bn in a Thai natural gas field, is expected to focus in future on overseas exploration and production. It sold its Californian oil and gas assets earlier this year for $492m.

The move, which also makes possible an initial public offering or joint venture, will combine three Californian refineries accounting for 20 per cent of the state's capacity, 1,200 petrol stations, oil dumps, pipelines, three ships and other assets valued at $2.7bn.

The decision reflects industry-wide concern over falling margins, which has recently led several US oil groups to open negotiations on mergers and joint ventures.

Unocal, which sells petrol in six western states under its familiar "76" symbol, has recently invested $400m in its California refineries to meet stringent atmospheric pollution regulations.

However, although the businesses involved in the transfer to the wholly-owned subsidiary – called 76 Products Company – generate almost half of the group's revenues, they account for less than 20 per cent of income.

In the first nine months of the current year – when refining margins were helped by an early increase in retail prices – 76 Products contributed 47 per cent of group revenues and only 16 per cent of earnings.

The profitability of the region's refining and marketing companies is expected to shrink even further by the year end. West-coast margins, again under pressure from rising oil prices and pump price competition, fell an estimated 20 per cent in the early part of the fourth quarter.

Unocal, which has a 12 per cent share of the Californian refined products market, behind Atlantic Richfield and Chevron, suffers – like its competitors – from pressure on oil prices, exacerbated by steadily declining output from Alaskan fields.

AMERICAS NEWS DIGEST

Write-downs drag Inmet into loss

Inmet Mining, the Toronto-based metals group spun off two years ago by Germany's Metallgesellschaft, has written down its assets by a total of C$355m (US$264m) as part of a sweeping review of operations. The write-downs resulted in a third-quarter loss of C$361.8m, or C$4.46 a share, compared with earnings of C$18.8m, or 22 cents, a year earlier. Revenues dropped to C$175.9m from C$285.9m.

Inmet, formerly Metall Mining, has been dogged by problems in recent years. Its senior management was replaced last month. Mr Bill James, a seasoned Canadian mining executive, took over as chief executive from Dr Klaus Zeitler. The third-quarter charge includes writing off Inmet's stake in the Cayeli copper mine in Turkey, previously valued at C$155m. Inmet said Cayeli had not achieved expected improvements in ore quality, which had made marketing increasingly difficult.

A C$69m charge covers the cost of suspending an innovative mining method, known as solution mining, at the Copper Range metals complex in Michigan. Copper Range, once considered Inmet's flagship, has been plagued by environmental and technical concerns.

The value of a once-promising zinc and copper deposit at Izok Lake in Canada's Northwest Territories has been written down from C$101m to C$35m, following a "reassessment of plans". Inmet's other interests include a minority stake in the large Ok Tedi copper and gold mine in Papua New Guinea. Lower copper prices prompted a "substantial" write-down of Ok Tedi's copper inventories.

Bernard Simon, Toronto

Safeway eyes Vons takeover

Safeway, the US supermarket chain, yesterday said it had proposed taking over the rest of Vons, a southern Californian supermarket chain in which it already holds a 34.5 per cent stake. It said it was offering 1.34 of its own shares for each remaining Vons share, putting a value on the deal of about $1.6bn.

Vons said the proposal would be studied by a committee of outside directors which would report in due course. Its shares shot up $10¼ to $53⅝ in early trading, an increase of 24 per cent, while Safeway's shares fell by $1⅞ to $41⅞.

Vons is one of the biggest food retailers in southern California, with 325 stores. Safeway, which is about 50 per cent owned by Kohlberg Kravis Roberts, the Wall Street investment firm, has 1,050 supermarkets in northern California, the Pacific Northwest, the southwest, the mid-Atlantic and western Canada.

Safeway said that a merger would enable the two companies to use the best of each other's operational practices, systems, category management, procurement, and private label brands. The combined company would be the biggest or second biggest in each of the 10 main regions in which it operated, Safeway said.

Richard Tomkins, New York

Vencemos profits advance

Corporación Venezolana de Cementos (Vencemos), the Venezuelan cement company, announced net profits of Bs35.37bn ($75.2m) for the year to September 30, up from Bs21.86bn for the same period last year. Sales jumped 18.7 per cent to Bs112.14bn over last year's 9-month period, according to a Vencemos document filed with the Caracas Stock Exchange.

Raymond Colitt, Caracas

Flat market hits Air Canada

Air Canada's strong international growth offset a flat domestic market and rising fuel prices in the third quarter. Net profit was C$149m (US$111m), or 92 cents a share, against C$182m, or C$1.16, a year earlier, including a C$58m or 27 cents a share special gain on the sale of an investment in Continental Airlines. Operating revenues were C$1.4bn against C$1.3bn.

Operating income was up 9 per cent to C$2.08m. International passenger revenues rose 15 per cent, but revenues overall gained only 8 per cent. Load factor improved but yield declined 1 per cent.

Nine-months net profit was C$167m, or C$1 a share, including a C$129m gain on the sale of Continental Airlines shares, against C$74m, or 49 cents, a year earlier, including the C$58m special gain. Revenues were C$3.7bn against C$3.4bn. Air Canada is pushing hard for daily service to Hong Kong from Toronto as well as Vancouver, and may return to Frankfurt next year.

Canadian Airlines is expected to report a heavy third-quarter loss tomorrow, plus details of a further restructuring, including elimination of non-profitable routes.

Robert Gibbens, Montreal

Perez expands into Peru

Perez Companc, Argentina's second-largest oil and gas producer, has taken another step in its steady international expansion by acquiring rights to exploit hydrocarbons in Peru.

Perez won an international bidding round organised by Petroleos del Peru for lot X in the Cuenca de Talara, paying $202m for rights to exploit oil for 30 years and gas for 40. Perez is committed to investing $25m, including on drilling work, during the first five years.

Perez, a diversified conglomerate within Argentina, has concentrated its international efforts on acquiring production and exploration blocs in Latin America, where it has stakes in Venezuela, Ecuador and Bolivia.

Like several other Argentine energy groups, Perez aims to increase and diversify its hydrocarbons reserves by investing in those South American countries that are gradually liberalising their energy sectors.

Lot X, which extends over 47,000 hectares, has proven reserves of 6.7m cubic metres of oil and 870m cu m of gas, with daily oil and gas production of 16,400 barrels and 545,000 cu m respectively.

Perez's international ambitions are not exclusively limited to hydrocarbons. The group, whose domestic holdings include telecoms, earlier this month prequalified in a consortium with Stet of Italy to bid in the privatisation of Companhie Riograndense de Telecomunicacoes, a Brazilian provincial telephone company.

David Pilling, Buenos Aires

Tobacco and financial services group ahead 9% in nine months

BAT takes stronger stand

By Roderick Oram and Christopher Brown-Humes

In a hardening of its stand as a cigarette maker, BAT Industries delivered a forceful response yesterday to scientific and legal setbacks suffered by the industry.

The higher profile was welcomed by some analysts but they believed it was insufficient to help restore BAT's share price, which has fallen 26 per cent this year. "This change is quite a surprise because in the past BAT has often been on the back foot," one analyst said. "This in itself will not bring back confidence to the stock. BAT needs more wins in tha courts."

The message was delivered by Mr Martin Broughton, chief executive, as the tobacco and financial services group reported a 9 per cent rise to £2.04bn ($3.18bn) in pre-tax profits for the nine months to September 30. A slightly better than expected tobacco performance offset an unexpected provision for pollution insurance claims. The shares closed down 9p at 427p.

Mr Broughton said a study published in Science Magazine in the US "does not deliver the promised causal link" claimed between the cigarette carcinogen benzo(a)pyrene and human lung cancer. The theory that the substance might attack the P53 tumour supression gene was worthy of study and BAT had funded such research since 1988. If a link was found, "then we could join forces with the diesel producers, smoked food producers, cooking oil producers, the roasters of coffee, the barbecue manufacturers and all others whose products produce benzo(a)pyrene in everyday life."

To the allegation that BAT had suppressed studies showing cigarette smoking was addictive or caused cancer, he said: "We have not concealed, we do not conceal and we will never conceal."

BAT remained confident it would overturn a recent court setback in Florida.

Trading profits from financial services climbed 3 per cent to £846m. A big increase in environmental provisions cut profits at Eagle Star, the UK insurer, from £194m to £162m in the nine months. Eagle Star made e £91m environmental charge, relating to discontinued business, including about £70m in the third quarter.

Mr Devid Allvey, BAT finance director, said Eagle Star had seen a higher number of claims on US pollution and asbestosis business. "We don't known whether this was a one-off surge or whether it will continue." He indicated it might be linked to the formation of Equitas, the giant reinsurer at the centre of Lloyd's of London's recovery plan.

Allied Dunbar, the UK life insurer, raised profits 3 per cent to £143m. New business climbed 25 per cent. Total premium income rose 17 per cent to £1.3bn, mainly because of strong growth in lump sum investments. Farmers, its US insurer, lifted profits by 9 per cent to £467m. Tobacco trading profits rose 7 per cent to £1.27bn with group volumes up 3 per cent to 515bn cigarettes thanks to strong sales in Asia Pacific and Africa, the Middle East, and southern and central Asia.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglo St James	6 mths to June 30	2.42	(0.349)	0.122	(0.051L)	0.37	(0.45L)	nil	-	nil	-	nil
BAT Inds	9 mths to Sept 30	18.4	(17.4)	2.04	(1.87)	39.9	(36.5)	-	-	-	-	24
Betterware	28 wks to Sept 14	32.1	(31.7)	6.65♥	(4.08)	4.2	(2.6)	1	Jan 3	0.85	-	5.2
Glencar ♣	6 mths to June 30	-	(-)	0.037L	(0.039L)	-	(-)	-	-	-	-	-
Havelock Europa	6 mths to June 30	25	(22.8)	2.01	(2.05)	5.1	(5.3)	1.45	Dec 27	1.2	-	3.6
Netcall ✠	Yr to June 30	0.614	(0.315)	0.023L♥	(0.056L♥)	0.19L	(0.49L)	-	-	-	-	-
Sainsbury (J)	28 wks to Sept 23	7,499	(7,049)	393	(456)	14.36	(15.99)	3.5	Jan 15	3.4	-	12.1
Shiloh	6 mths to Oct 5	14.3	(13.5)	0.444♥	(0.313♥)	5.1	(3.59)	1	Dec 6	1	-	3.85

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional credit. ♣Irish currency. ✠Ofex stock.

J Sainsbury speeds up board changes

By Peggy Hollinger

J Sainsbury yesterday brought forward top-level board changes in a bid to stem criticism of management and e strategy which have seen the supermarket group cede the market lead to rival Tesco over the past year.

The announcement that Mr Dino Adriano is to replace Mr Tom Vyner as chief executive of the supermarkets business in March, instead of the end of 1997 as planned, came as Sainsbury reported a 14 per cent fall in interim pre-tax profits to £393m ($613m).

Sainsbury shares edged up 8½p to 363½p. Analysts said the rise was due as much to the succession plans as to relief that the group had announced results roughly in line with expectations.

However, disappointment over current trading caused several brokers to cut estimates for the full year. Expectations now range from about £695m-£720m against initial forecasts of £720m to £735m.

Mr David Sainsbury, chairman, said the group was achieving a 3 per cent rise in sales, in line with inflation. Analysts said that meant there had been no volume growth in the half in spite of the introduction of customer incentives such as the Reward Card scheme.

The increase was also less than Tesco's, believed to be more than 7 per cent.

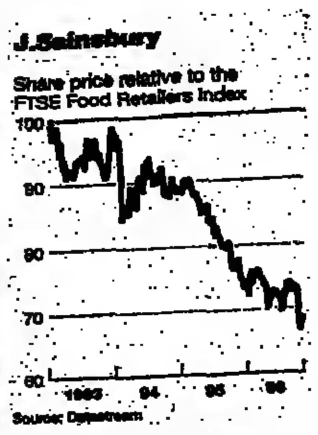
"It emphasises that there is a very big problem out there," said one broker. "Recovery is not going to happen in the short term."

Mr Sainsbury sought to reassure investors that the group had a solid strategy and the management team to regain some of the market share it had lost to rival food retailers.

The company was to focus on delivering quality and choice "backed up by value for money", he said. At shop-floor level this meant making e wider range of goods available throughout the day and communicating the group's message effectively.

LEX COMMENT

J Sainsbury



It is a measure of how bad things have got at J Sainsbury that the shares rose after yet another dismal set of figures. True, the company has accelerated its long-winded succession plan, with Mr Dino Adriano becoming chief executive in March; and that is undoubtedly good news. But yesterday's trading statement demonstrated just how much work he has to do. And the group's new strategy offers little cause for confidence, since it is not obviously different from the old one. Sainsbury suggested yesterday that the worst is behind it, but the latest sales data suggest otherwise.

After stripping out the impact of extensions to existing stores, genuine like-for-like volume growth has been only about 2.6 per cent since September, representing e fall in real terms. Its biggest competitor, Tesco, continues to grow et well over double that rate. By the end of this year this trend will have translated into Tesco's UK supermarket profits growing by £170m and Sainsbury's falling by about £100m over a three year period. And yet the management still suggests it has been getting things right.

At least the group's DIY chain and US operations should drive a recovery next year. And the launch of a bank suggests Sainsbury is getting more fleet of foot. But until the group can demonstrate some positive sales momentum from its core UK supermarket business its shares will struggle to justify their continuing premium rating to its sector.

NEWS DIGEST

P&O reveals slower decline

P&O's cross-Channel ferry business continued to contract during the third quarter in the face of competition from the Channel tunnel, but the rate of decline slowed, the company said yesterday.

Rates on its short sea routes were also under pressure from the continued expansion of the tunnel's operations, although P&O hopes to make considerable savings when it merges its cross-Channel ferry business with Stena Lines early next year.

Passenger traffic on P&O's Dover-Calais services fell from 2.86m to 2.67m in the third quarter; cars and coaches carried fell from 500,000 to 452,000; trucks and truck trailers fell from 97,000 to 93,500. But P&O pointed out that the 6.8 per cent year-on-year fall in passenger numbers was lower than the 12.1 per cent declina in the second quarter.

Container shipping, P&O's other main problem area, increased volumes to 315,000 units, up from 311,000 in the same period last year, although pressure continued to be felt on rates. P&O is currently merging its container activities with those of Royal Nedlloyd of the Netherlands in a deal expected to lead to savings of et least $200m over the next 18 months.

Europe-east Asian trade was below 1995 levels, but this was more than offset by high north-south volumes and an increase in transpacific business.

Downward pressure on rates was most severe on Europe-east Asian trade and its impact on revenues is expected to increase in the fourth quarter when north-south business levels reduce. *Charles Batchelor*

Coutts alliance with SA bank

Coutts, the private banking arm of National Westminster Bank, has formed an alliance with Board of Executors Private Bank in South Africa.

BOE Private Bank will assist Coutts' clients in South Africa, with Coutts making its more international private banking services available to BOE'e customers.

The NatWest arm already has a link to the Board of Executors parent company, a financial services group with fund management and life assurance activities which was formed by its own act of parliament in 1838.

The two groups are equal partners in e South African merchant bank, BOE NetWest, which was set up last year.

Mr David Went, chief executive of Coutts Group, said increasing numbers of his bank's clients were taking an interest in South Africa, both for investment reasons and as a place to buy a holiday home.

Although Coutts has been expanding its international network, Mr Went said there was no intention of developing the Coutts-BOE link into a full scale private banking operation in South Africa. Like the 300-year-old Coutts, BOE has been expanding from its traditional reputation as a home for Cape Town old money.

George Graham

Sema expands in France

Sema, the Anglo-French computer services group, pushed further into the telecommunications sector yesterday by agreeing to acquire Telis, France Télécom's systems integration unit.

The group is also acquiring the 50 per cent of Sema Group Télécom, its joint-venture with France Télécom, which it does not already own.

Sema, which has a close relationship with France Télécom – an indirect shareholder in Sema since 1992 – will pay e total of FFr25m ($4.68m) cash, subject to shareholder and government approval.

Meanwhile, France Télécom, which is in the process of privatisation, intends to focus on its telecoms munications activities.

Telis was formed in 1995 through the merger of the systems integration activities of Télésystèmes and IBSI Services et Ingenierie, both French companies specialising in systems integration in the telecoms field.

Paul Taylor

Clyde arm sells AQC stake

Crusader, the Australian energy subsidiary of Clyde Petroleum, has accepted the 78 cents a share cash offer for its 48.4 per cent stake in Allied Queensland Coalfields by Marsford Investments, netting a total of A$9.3m ($7.17m).

Mr Roy Franklin, Clyde group managing director, said: "Clyde acquired its interest in AQC as part of the takeover of Crusader earlier this year. It did not feature in Clyde's long-term strategy."

A A$3.2m inter-company loan between Crusader and AQC will shortly be repaid.

Emap buys US music channel

Emap has acquired The Box, the cable television music channel, for $12.5m cash from its American parents, Video Jukebox Network and Ticketmaster. Emap also plans to take a 6.5 per cent stake in VJN through the purchase of $2.5m in convertible preference shares.

TECHNOLOGY

Enemy within: X-ray showing the hands of a sufferer whose immune system has attacked the tissues around the joints

Science Photo Library

Clive Cookson on the gap between identifying genes that cause rheumatoid arthritis and finding a cure

Cautionary tale for optimists

Rheumatoid arthritis is probably the biggest single cause of disability in the western world – and a drug that tackles the root cause of the disease, rather than alleviating some of the symptoms, is one of the great unmet needs in medicine.

The story so far of genetic research into rheumatoid arthritis is a cautionary tale for the optimists who believe that, once a gene predisposing people to a particular disease has been discovered, better treatments will soon follow.

In rheumatoid arthritis, the immune system turns against the patient's joints, attacking them with chemicals and cells that cause severe inflammation and tissue destruction.

Researchers recognised decades ago from family studies that rheumatoid arthritis had a significant genetic component and in the 1970s, HLA, a complex part of the immune system that controls the way in which the body responds to foreign substances, was implicated.

By 1978, scientists had identified a gene called HLA DR4 that seemed to be associated with the disease. Almost 20 years later, they still do not know how HLA DR4 is involved in the complex molecular cascade that leads to the accumulation of destructive immune cells in the joints.

"Although you could see this as rather a sad indictment of what we have been doing, HLA is a very special case," says Bill Ollier of the Arthritis and Rheumatism Council's Epidemiology Research Unit at Manchester University. "It does not mean that it will take so long to discover how other genes work."

HLA is special because it is one of the most complex and variable regions of the entire human genome. There are hundreds of HLA genes, each of which comes in scores of different forms (alleles), and they interact over unusually long genetic distances through a phenomenon known as linkage disequilibrium.

To make the analysis still more difficult, HLA DR4 does not behave like either a "dominant" or a "recessive" gene in the traditional sense. Dorian Pritchard of the human genetics department at Newcastle University says it shows "intermediate dominance": *one copy of* the *gene has some* effect and two copies have a greater effect.

"It is possible *that*, although HLA was the first genetic factor to be associated with rheumatoid arthritis, it may be the last to be fully understood," Ollier says.

But researchers do not yet know how many other genes play a role in rheumatoid arthritis, let alone their identity. Even the total contribution made by genetic – as opposed to environmental – factors to the development of rheumatoid arthritis is uncertain.

Most researchers would put the genetic contribution in the 30 per cent to 50 per cent range, says Paul Wordsworth of the Nuffield Department of Clinical Medicine at Oxford University, with an upper limit of 60 per cent.

But Jerry Lanchbury, of the United Medical and Dental School in London, says, the genetic component could be as little as 15 per cent. "Even if it is that low, it is still worth investigating the genes, because the genetic approach is the only way we are going to understand the disease," he adds.

Family studies show that HLA is responsible for between one-third and a half of the total genetic contribution to rheumatoid arthritis. The present view is that, altogether, half a dozen genes are significant factors in the development of the disease.

A concerted effort to track down these genes is under way in the UK, France and US, involving collecting and analysing DNA from families in which two or more members have rheumatoid arthritis. The UK team, based at Oxford and Manchester universities, and the French group at Généthon in Paris are both looking at about 200 families; in the US, eight separate centres aim to recruit 100 families each.

> **The financial prize for any company that produced an effective treatment would be enormous**

"It is likely that we will have to look at 800 families worldwide before we have cast-iron proof of the genes involved in rheumatoid arthritis," Wordsworth says.

Some clues have emerged. The fact that women are three times more likely than men to suffer from rheumatoid arthritis – and that the disease normally goes into remission during pregnancy and then comes back strongly during breast feeding – suggests that hormones play an important part. Ollier believes a prime candidate is the gene for prolactin, a hormone that stimulates milk production.

Lanchbury is particularly interested in corticotropin releasing hormone (CRH), which controls the body's inflammatory response to stress. Defects in this gene may reduce its inability to dampen down the molecular cascade triggered by stress or injury.

Further clues may come from genetic similarities between rheumatoid arthritis and other auto-immune diseases, notably diabetes, in which genetic research is proceeding more quickly. There is a substantial excess of diabetes in families with rheumatoid arthritis.

Progress may be disappointingly slow, but everyone involved in the search for arthritis genes believes that it will eventually lead to targets for drug discovery. "The drug companies are very interested in this," Ollier says.

For example, Zeneca Pharmaceuticals of the UK is contributing about £1m to the Oxford/Manchester arthritis genes project, which is also supported by two charities, the Arthritis and Rheumatism Council and the Wellcome Trust.

"We looked around at the major disorders for which we could investigate the genetics, and we chose rheumatoid arthritis as a significant unmet medical need," says Graham Boulnois, Zeneca's biotechnology manager. "The collaboration is still at a fairly early stage but we will start to see some real insights from next year."

Others hope to short-cut the slow process of family-based genetic analysis in the hunt for arthritis drugs.

For instance, Human Genome Sciences, the US biotechnology company, is investigating the genetics of chemokines. This family of messenger proteins, secreted by cells of the immune system, is known to be involved in rheumatoid arthritis.

HGS scientists have purified one particular chemokine, called Macrophage Colony Inhibition Factor, which inhibits the growth of some of the immune cells implicated in arthritis. Animal studies show that this reduces significantly the destruction of bone and joint in the disease, says William Haseltine, HGS chairman. The company is looking for a pharmaceutical partner to take it into clinical trials as a potential drug for rheumatoid arthritis.

Even the existing inadequate generation of drugs, which reduce arthritic pain and inflammation at a considerable cost in unwanted side-effects, represent an estimated $5bn (£3.2bn) a year pharmaceutical market.

The financial prize for any company that produced a truly effective treatment would be enormous. This incentive, combined with the power of modern genetics, is bound eventually to relieve the suffering of the 4m rheumatoid arthritis patients in Europe and North America.

The series on human genes continues next month with a look at asthma

Worth Watching · Vanessa Houlder

Sextant helps navigate strategy

Software designed to help with strategic planning has been launched by Ashridge Consulting, part of Ashridge Management College, together with Softa, a business system consultancy.

The Sextant system helps managers plan and monitor strategy, through examining issues such as competitive position and market attractiveness.

Information from the company's own databases, market research data and macroeconomic data is fed into the system allowing it to check assumptions and explore "what if?" questions.

The software aims to allow different perceptions of managers to be explored rapidly and encourages a wide range of input.

The corporate version of Sextant costs £7,500; a personal version costs £950.

Ashridge Consulting: UK, tel (0)1442 841260; fax (0)1442 841260.

Home test for HIV at the fingertips

About 1m US citizens are estimated to be infected with HIV, the virus that may lead to Aids, but as many as half are thought to be unaware of their infection. A home test for HIV, which has been launched throughout the US at a cost of $40 (£25), promises complete anonymity.

Users of Confide, which was cleared by the Food and Drug Administration in May, send in a blood sample taken from a fingertip and can then ring anonymously for the result using a Pin number. The test kit includes pre-test counselling; which is also available over the telephone with a referral service.

The test, which was co-developed by California-based Chiron, is marketed by Direct Access Diagnostics, part of Johnson & Johnson.

Chiron Corporation: US, tel 510 9236730; fax 510 9233376.

Yellow notes stuck in cyberspace

Post-it Notes, the yellow sticky labels that have served to jog the memory of countless office workers, are going electronic.

3M, the diversified manufacturing company that devised the original labels, has developed software that lets PC users create electronic notes in the Post-it Note format that can be left on the desktop or a customised memo board or sent to someone via electronic mail.

The software, which comes in Windows 3.1 and Windows 95 versions, will be available in most European languages from January. The software can be downloaded from 3M's Web site: *http://www.mmm.com/psnote* for a 30-day trial.

3M: UK, tel (0)1344 858876; fax (0)1344 858175.

Supercritical water washes cleaner

Attempts to recycle electronic scrap, such as printed circuit boards, leave a problematic residue that includes plastics, ceramics and glass fibres.

Researchers *in Germany*, at Daimler-Benz in Ulm and the Fraunhofer Institute for Chemical and Polymer Engineering in Pfinztal, are using supercritical water oxidation to deal with the problem.

The approach, which was first developed in the US to deal with the disposal of military waste and contaminated soil, uses supercritical water. This is water at such a high temperature and pressure that its liquid and gas states merge. Previously insoluble organic compounds can be dissolved in supercritical water and then oxidised so that they are broken down into carbon dioxide, nitrogen, water and harmless salts.

Fraunhofer Institute for Chemical and Polymer Engineering: Germany, tel 7214640130; fax 7214640111.

CONTRACTS & TENDERS

GOVERNO DO ESTADO DE SÃO PAULO

INTERNATIONAL BIDDING
nr. CPFL/ASO/110/96-1000

The "technical and price" - type bidding above mentioned has been opened for public participation on the Hiring of Specialized Consulting Services for Companhia Paulista de Força e Luz - CPFL's process of privatisation.

The complete documents have been fastened on CPFL's main entrance, located on the 2.5 km, Rodovia Campinas - Mogi Mirim - nr. 1755, Jardim Santana Suburb, Campinas - SP - Brazil - ZIP Code 13.088-900.

The edict and its specific regulations can be purchased from today on, in the address above, from 08:00 am to noon and from 01:00 to 04:00 pm, at the cost of R$ 300.00 (three hundred reais, aproximately equivalent to US$ 300.00).
Further information will then be provided by CPFL's Work Contracting Section (ASOO) employees.

Proposals shall be delivered at COMGÁS' Auditorium, located on 1600, Augusta Street - Cerqueira César Suburb - São Paulo City - SP, on January, 8th, 1997, at 02:30 pm.

Administrative Directory

CGC nº 33.050.196/0001-88
CPFL Companhia Paulista de Força e Luz

This announcement appears as a matter of record only

Lend Lease
GLOBAL INVESTMENT PLC

Investor structure finalised for

Bluewater, Kent

the retail development in South East England.

Comprising:

Lloyds Leasing Limited
Royal Bank Leasing Ltd
Barclays Mercantile Business Finance Ltd

in a £375,000,000 investor syndicate,

in addition to the purchase by

The Prudential Assurance Company Ltd

of a 15 per cent income share, and

Lend Lease

acting as developer, project manager and equity participant.

Bluewater
KENT

INTERNATIONAL CAPITAL MARKETS

Cautious response to surprise UK rate rise

GOVERNMENT BONDS

By Richard Adams in London and Lisa Bransten in New York

The UK government bond and money markets responded cautiously to yesterday's decision by Mr Kenneth Clarke, the chancellor, to raise base rates by 0.25 per cent.

Some analysts were concerned that the move indicated inflationary pressures in the UK economy, and that further rate rises would be required. Others thought it suggested the chancellor was contemplating tax cuts in the budget due next month.

News of the rise, to 6 per cent, took analysts and traders in the City by surprise. In the cash market, the benchmark 10-year gilt price fell sharply in the afternoon, but recovered to finish the day at 99¾, down ¼. The yield rose 3 basis points to 7.59 per cent.

Long gilt futures settled at 109.17 on heavy trading, 0.08 down from the previous day's price of 109.25.

■ Analysts in London were divided over the timing and implications of the rate rise. Mr Philip Shaw, chief economist at Union Discount, said there was concern the rise could herald further interest rate increases.

Yesterday's rise showed the base rate cut in June was a mistake, and that the inflation performance of the UK had been disappointing compared with continental Europe, Mr Shaw said.

But Mr Stuart Thomson, chief international economist at Nikko Europe, was much more bullish, describing the rise as "an excellent move". He said: "I don't think this implies a looser budget." Sterling strength made further rises unlikely, he said.

Mr Andrew Roberts, bond strategist at UBS, said: "On a fundamental basis you've got to be bullish." He described the fall in gilt prices as "supply driven", with shorter gilts being sold by overseas investors overreacting to the hint of higher inflation.

■ US Treasury prices were lower in early afternoon trading yesterday as the Federal Reserve's Beige Book painted a mixed picture of the state of the economy.

Bonds initially jumped after the Commerce Department put its preliminary estimate of GDP growth at 2.2 per cent for the third quarter – in line with economists' expectations and a sharp slowdown from the 4.7 per cent growth of the second quarter.

Later in the morning, however, the market gave back its gains as figures on September new home sales exceeded economists' expectations and the Beige Book noted "more widespread" upward pressures on wages.

At midday, the benchmark 30-year Treasury was off ⅛ at 100⅛ to yield 6.693, while at the short end of the maturity spectrum the two-year note lost ⅛ at 100⅛. The December 30-year bond future slipped ⅛ to 112⅝.

■ Matif, the French futures and options exchange, is changing the specifications of its leading contract, the notional, writes Samer Iskandar.

Contracts maturing in December 1997 and after, which start trading on December 17 1996, will carry a coupon of 5.5 per cent, instead of the present 10 per cent. This will bring the coupon in line with that of the Ecu bond future, a move that will "allow operators to trade the convergence between the French franc and the Ecu by 1999 [when the single European currency is due to be introduced]," Matif said.

The list of deliverable bonds will also be modified to include maturities of between 8½ and 10½ years, instead of 7 to 10 years now. This will peg the contract's maturity nearer the 10-year level, an international benchmark.

Matav facility likely to set price standard

By Richard Lapper, Capital Markets Editor

Bankers expect to complete syndication tomorrow of a $200m revolving five-year loan for Matav, the Hungarian telecommunications company, in a deal that should help establish a new pricing benchmark for the country's borrowers.

The credit is being offered at 30 basis points over Libor, with a 15 basis point commitment fee, and brings pricing on Hungarian loans closer to the levels achieved by borrowers from the Czech Republic, which have been able to achieve the finest terms of all east European borrowers. It reflects intense competition among banks for better credits from the region.

When Matav came to the market earlier this year it paid 120 basis points over Libor on a $150m five-year loan. Since then, however, Hungary has become a member of the OECD and three credit agencies have awarded Hungary investment grade ratings. Standard and Poor's awarded its investment grade rating earlier this week, while a fourth agency, Moody's Investor Services, has put the country on review for a possible upgrade to that level.

In August the National Bank of Hungary agreed a five year $350m deal at 50 basis points over Libor. Also this summer the Central European International Bank borrowed $150m at 30 basis points over Libor.

"Rates are coming down much closer to levels typical elsewhere in the OECD," said one banker.

"These are margins UK corporates would have been happy to pay 18 months ago."

Bankers said the pricing on the Matav loan also reflected the fact that Deutsche Telekom and Ameritech owned 67 per cent of the company. If it is completed tomorrow, as expected, syndication will have taken only one week rather than the more typical two. Bankers said the speed reflected the need to clear the market for a loan by Westel 900, the Hungarian mobile telephone company, in which Matav has a big share.

Credit Suisse was mandated to arrange the Matav deal but the arranging group was increased to include ABN Amro, ING Barings, J.P. Morgan and NatWest. Co-arrangers are Bank of America, Bankers Trust, Citibank, Deutsche Bank and Sumitomo. A further 16 more banks are involved in underwriting the deal. Credit Suisse said Matav would develop its future banking relationships through the banks involved in the transaction.

Separately, Nomura International, a subsidiary of Nomura Securities, this week announced it had mandated Chase Investment Bank and Nomura Bank International, a separate banking subsidiary, to arrange a $1bn revolving credit facility.

The borrower will use the money to fund its activities in the stock lending market, mainly through the issue of letters of credit.

The deal consists of a $600m 364-day tranche, priced at 16 basis points over Libor, and a $400m two year tranche priced at 18½ basis points over. Commitment fees amount respectively to 8 and 9 basis points.

French franc borrowers shrug off difficulties

INTERNATIONAL BONDS

By Samer Iskandar

Borrowers in French francs yesterday did not seem put off by Tuesday's unsuccessful launch of a FFr3bn add-on to a Spanish 10-year issue. Issuance in other sectors of the euro market consisted of a wide array of small to medium-sized deals.

In a move that confirmed the rising popularity of convertible issues as a means of divesting shareholdings, BGB Finance, a special financing vehicle for Bankgesellschaft Berlin, issued DM300m of bonds convertible into bearer shares in Metro AG.

"This deal aims to unwind a cross-shareholding that has no more strategic impact," said Mr Serge Demolière, managing director of the bank.

Goldman Sachs, joint lead manager with the German bank, said the structure – as opposed to an outright share sale – allowed "a smooth transfer that does not affect the market too much". A straight disposal, it added, could have led to a fall in the share price, "whereas in this transaction, the issuer will actually be selling the shares at a premium", to be set at between 18 and 20 per cent over the current price.

Goldman also said the deal was more than twice oversubscribed, which could incite the issuer to exercise a DM50m greenshoe (over-allotment) option.

Elsewhere, several emerging market issues were launched, including a repackaging of existing Turkish debt. The high-yielding securitisation was issued by Signum, a special purpose vehicle – a legal body set up to support a specific financial transaction – and was described by the lead manager as "double leverage repackaged bonds".

The existing debt in dollars was repackaged into D-Mark denominated bonds due 1999. Goldman Sachs said the issue "satisfies the appetite for yield of [mostly] German retail investors".

Landesgirokasse, the triple-A rated German bank, made its maiden issue in French francs, undeterred by the sector's mishaps the previous day. The borrower chose a 10-year maturity to raise FFr2bn. UBS, joint lead manager with Société Générale, admitted the paper was "selling slowly", but explained that the issue was "more of a marketing exercise to establish a benchmark in the sector than an outright funding operation".

Elsewhere, Sweden issued Y20bn of dual-currency bonds, redeemable in Australian dollars. Analysts said Japanese demand for such instruments was strong, because of bullishness over currencies correlated with the US dollar, which have risen sharply against the yen in recent weeks.

Observers expect more activity in French francs, with possibly a large issue today by another big German bank. A FFr3bn-5bn deal by FNMA, the US government agency, is also on the cards.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
BHWG(l)	200	6.25	99.91R	Nov 2000	0.25R	+19(l)	ABN Amro/Bear Stearns
SBV International Finance‡	200	(a)	100.37R	Nov 2006	0.50R	-	Deutsche Morgan Grenfell
Banco Excel Economico(b)	150	10.75	97.52R	Nov 2004	0.38R	498(l)	Indosuez Capital
Banque de la Mediterranee	100	8.63	99.75R	Nov 1999	1.00R	285(8¾%-99)	Indosuez/Merrill Lynch
Unibanco	100	7.13	100.00R	Nov 1997	0.20R	140(1yrlbr)	ING Barings
Banco Dibens(c)	50	(c1)	99.83R	Nov 2004	1.00R	-	WestMerchant
■ YEN							
Kingdom of Sweden(d)★	20bn	5.80#	100.00	Feb 2000	1.60	-	Wako Intl(Europe)
■ D-MARKS							
SGZ Bank‡	500	(e)	99.58	Nov 2003	0.20	-	DG Bank/Lehman Bros.
BGB Finance(Ireland)(f)§	300	(f1)	100.00	Dec 2001	2.50	-	Bnkgslscht Brln/Goldman
L-Bank(s)★	250	4.75	99.92R	May 2001	0.23R	-	Nikko Europe/Tokai Bank
Signum Ltd(Cayman)(s)	75	9.00	99.90R	Jun 1999	0.50R	515(5¼%-99)	Goldman Sachs
■ SWISS FRANCS							
Sigma Finance	125	3.25	102.15	Nov 2001	STD	-	SBC Warburg
Merck(g)	100	3.50	101.35	Nov 2002	STD	-	UBS
■ DANISH KRONER							
DSL Bank(h)	400	5.13	101.90	Dec 2004	2.00	-	Kreditbank
■ FRENCH FRANCS							
Landesgirokasse	2bn	6.00	99.38R	Dec 2006	0.33R	+12(l)	Soc Gen/UBS
EIB(j)	1bn	(j1)	98.98R	Nov 2006	2.00R	-	CDC/Paribas
■ LUXEMBOURG FRANCS							
Cregem International Bank(s)	2bn	5.63	101.95	Apr 2004	2.00	-	BIL
Daimler Benz, North America	2bn	6.50	102.55	Dec 2002	1.88	-	BIL/BGL
■ ITALIAN LIRE							
BHWB	200bn	(k)	99.70R	Nov 2001	0.05R	-	BCI/JP Morgan
■ CANADIAN DOLLARS							
EIB(l)	100	5.75	99.87R	Dec 2002	0.22R	-	Toronto Dominion Bank

Final terms, non-callable unless stated. Yield spread (over rlvnt gvt bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +31¼bp. b) Call and put option after 3 + 5yrs. c) Call at par after 3+5yrs. Put at par after 3+5yrs. c1) 11% for 1st 3yrs, 11¼% for yrs 4-6, 11½% for yrs 6-8. d) Redemption in Australian dollars. e) 3-mth Libor +⅛bp. f) Fixing: today. Non callable for years 3: then callable at par subject to 130% provision. Green shoe DM50m. f1) 3%-3¼%. g) Add on to SFR200m deal launched 9/10. h) Coupon 5⅛% for 1st 4yrs, 5⅝% for last 4yrs. i) Over interpolated yield. j) Call at par in year 6. j1) 5.3% for yrs 1-5; 7⅝% thereafter. k) 7.625% for 1st yr; then 7⅞% if not called at par. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	96.6270	+0.410	7.37	7.53	7.97
Austria		5.875	07/06	98.4400	-0.010	6.09	6.08	6.11
Belgium		7.000	05/06	106.1200	-0.010	6.13	6.10	6.37
Canada *		7.000	12/06	104.1000	+0.120	6.44	6.47	7.34
Denmark		8.000	03/06	107.5000	-0.100	5.88	6.85	7.10
France	BTAN	5.500	10/01	102.2925	-	4.98	4.95	5.29
	OAT	8.500	10/06	103.7000	-0.060	6.00	5.98	6.18
Germany Bund		6.250	04/06	101.6100	-0.070	6.02	6.01	6.15
Ireland		8.000	08/06	107.4500	-0.100	6.93	6.90	7.18
Italy		9.500	02/06	108.5800	+0.230	6.18†	6.10	8.84
Japan	No 140	6.600	06/01	122.4122	+0.430	1.50	1.56	1.77
	No 182	3.000	09/05	103.3170	+0.820	2.55	2.69	2.85
Netherlands		8.500	06/06	118.3300	-0.050	5.94	5.93	6.03
Portugal		8.500	02/06	112.1900	-0.510	7.62	7.59	8.05
Spain		8.800	04/06	105.8300	-0.300	7.68	7.81	6.11
Sweden		6.000	02/05	92.0422	-0.410	7.30	7.23	7.62
UK Gilts		8.000	12/00	103-06	-17/32	7.08	6.91	7.05
		7.500	12/06	99-11	-8/32	7.59	7.55	7.78
		8.000	10/08	110-01	-6/32	7.70	7.68	7.91
US Treasury *		6.500	10/06	100-26	+10/32	6.39	6.56	6.82
		6.750	08/26	100-26	+16/32	6.68	6.86	7.04
ECU (French Govt)		7.000	04/06	104.0700	-0.540	6.41	6.35	6.52

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.77
Prime rate	8¼	Two month	-	Three year	5.97
Broker loan rate	7	Three month	5.14	Five year	6.12
Fed funds	5⁵⁄₁₆	Six month	5.29	10-year	6.39
Fed funds at intervention	-	One year	5.43	30-year	6.69

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	126.50	126.22	-0.08	126.56	126.20	122,459	183,082
Mar	126.44	126.22	-0.08	126.52	126.24	773	38,863
Jun	125.18	124.96	-0.08	125.18	124.98	103	5,857

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
124	-	-	-	-	0.07	0.58
125	1.22	-	-	-	0.22	-
126	0.22	0.77	1.48	-	0.52	1.27
127	-	0.31	1.00	0.78	0.92	1.75
128	-	0.10	0.64	-	-	-

Est. vol. total, Calls 23,575 Puts 21,434. Previous day's open int., Calls 212,449 Puts 210,229.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.74	99.48	-0.06	99.84	99.37	204147	253071
Mar	98.68	98.46	-0.07	98.75	98.43	948	15522

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9900	0.76	0.48	0.70	0.85	0.31	1.00	1.24	1.39
9950	0.48	0.31	0.51	0.64	0.50	1.35	1.55	1.66
10000	0.26	0.19	0.34	0.48	0.78	1.73	1.88	2.02

Est. vol. total, Calls 24476 Puts 19141. Previous day's open int., Calls 175436 Puts 174484

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	122.75	122.70	-0.07	123.32	122.56	60337	68612
Mar		121.92	-0.07			0	3603

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
12250	1.15	1.83	0.96	2.41
12300	0.91	1.60	1.21	2.68
12350	0.67	1.38	1.47	2.96

Est. vol. total, Calls 1600 Puts 4051. Previous day's open int., Calls 183238 Puts 172035

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	107.15	106.69	-0.28	107.36	106.44	906,189	68,521

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-30	109-17	-0-08	110-10	109-12	135911	150440
Mar	109-10	108-21	-0-08	109-10	109-10	60	2221

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
109	1-10	1-04	1-26	1-43	0-40	1-28	1-48	2-01
110	0-41	0-42	1-00	1-14	1-07	2-00	2-22	2-36
111	0-19	0-25	0-44	0-58	1-49	2-47	3-02	3-14

Est. vol. total, Calls 5387 Puts 1635. Previous day's open int., Calls 38201 Puts 28328

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.28	93.90	-0.32	94.30	93.78	3,398	7,053
Mar	93.66	93.46	-0.14	93.66	93.66	75	101

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	112-21	112-25	+0-06	113-13	112-17	464,673	368,702
Mar	112-06	112-10	+0-05	112-28	112-03	2,592	24,974
Jun	111-31	111-22	+0-02	112-07	111-20	295	5,234

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	125.25	-	-	125.37	125.20	2914	n/a
Mar	124.33	-	-	124.41	124.33	213	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Oct 30	Day's change %	Tue Oct 29	Accrued interest	xd adj. ytd
1 Up to 5 years (21)	121.45	-0.28	121.78	2.71	8.04
2 5-15 years (19)	149.49	-0.31	149.95	2.82	8.09
3 Over 15 years (9)	166.78	0.27	166.33	3.78	8.83
4 Irredeemables (6)	192.02	0.19	191.65	4.64	8.83
5 All stocks (54)	143.96	-0.19	144.23	2.99	8.92

UK Indices

	Low coupon yield Oct 30	Oct 29	Yr. ago	Medium coupon yield Oct 30	Oct 29	Yr. ago	High coupon yield Oct 30	Oct 29	Yr. ago
5 yrs	7.20	7.06	7.45	7.23	7.11	7.46	7.29	7.17	7.55
15 yrs	7.81	7.82	8.03	7.80	7.81	8.07	7.83	7.84	8.18
20 yrs	7.91	7.92	8.08	7.88	7.90	8.12	7.91	7.93	8.20
Irred.†	7.97	7.99	8.21						

Index-linked	Wed Oct 30	Day's change %	Tue Oct 29	Accrued interest	xd adj. ytd		Inflation 5% Oct 30	Oct 29	Yr. ago	Inflation 10% Oct 30	Oct 29	Yr. ago
6 Up to 5 years (2)	202.76	-0.17	203.11	0.48	5.28	Up to 5 yrs	3.13	3.08	3.23	2.47	2.42	2.10
7 Over 5 years (10)	194.23	-0.48	195.18	1.41	4.17	Over 5 yrs	3.57	3.54	3.68	3.37	3.33	3.48
8 All stocks (12)	194.08	-0.44	194.94	1.30	4.21							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24	Yr ago	High*	Low*
Govt. Secs. (UK)	93.88	93.90	94.14	94.27	93.83	93.89	96.34	91.59
Fixed Interest	115.46	115.31	115.56	115.50	115.40	112.07	116.45	110.74

Gilt Edged Activity Indices

	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23
Gilt Edged bargains	85.3	122.5	97.8	101.1	88.7
5-day average	98.0	106.9	98.9	109.5	120.9

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Conversion 10pc 1996	9.99	6.42	100⅛	-⅛	103⅜	100⅛
[illegible]						

Other Fixed Interest

[illegible]

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 30

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99⅞	100⅛	+⅛	6.51
ABN Amro Bank 7¼ 05	1000	102	102¼	+¼	7.08
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

UK rate rise surprises foreign exchanges

MARKETS REPORT

By Simon Kuper

Sterling rose to its highest level in two and a half years on a trade weighted basis yesterday after Mr Kenneth Clarke, chancellor, surprised the London currency market with an interest rate hike of 25 basis points.

The pound had risen almost 2 pfennigs even before the rate rise. It closed 2.8 pfennigs higher against the D-Mark at DM2.460 and 2.2 cents up against the dollar at $1.632, a 19-month high.

The dollar was softer across the board after data on gross domestic product and house sales showed economic growth to be slowing sharply, suggesting that rate rises were unlikely in the short term. The US currency closed 0.4 pfennigs lower against the D-Mark at DM1.507 and Y0.2 weaker against the yen at Y113.9, depressed partly because of yen buying by a big US hedge fund.

The D-Mark gained initially against most European currencies, but fell back during the day as the markets concluded that most of the Continent's politicians are determined that European monetary union will take place on schedule. The German currency closed in London slightly weaker against the French franc at FFr3.379.

■ Mr Jeremy Hawkins, chief economist at the Bank of America in London, said that yesterday's UK base rate hike to 6 per cent helped sterling's prospects in several ways. Firstly, he said, the rise suggested that the chancellor was serious about meeting his target of an inflation rate of 2.5 per cent or below. Secondly, said Mr Hawkins, "it showed the government can live with a strong pound".

The rate rise also underlined "the relative outperformance of the UK economy. We're one of the few countries in Europe that is raising rates," Mr Hawkins said. *Most currency strategists said yesterday that they expected the pound to test DM2.50 soon.*

The money markets think sterling will be boosted by another 25 basis point rate rise before the election, which is expected to take place next May. Short sterling futures contracts for December fell 19 basis points yesterday and now imply an anticipated base rate level of about 6.25 per cent.

■ The currency market's confidence that Emu will take place on schedule was boosted yesterday.

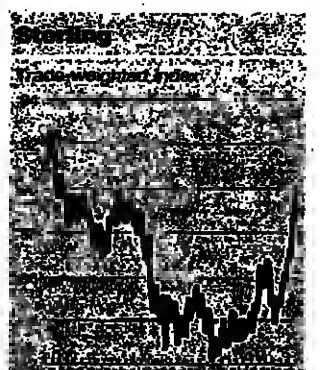
Tuesday had been judged a bad day for Emu. In the afternoon there were reports that the European Commission might reject France's attempt to push its budget deficit below 3 per cent of GDP by using transfers from France Telecom. Later that day, Mr Helmut Jochimsen, Bundesbank council member, had said that French budget devices were "absolutely killing" German public confidence in Emu.

But yesterday the French government signalled that the single currency would arrive in January 1999 whatever happened. A government spokesman quoted President Jacques Chirac as saying that the deadline for Emu set out in the Maastricht treaty would be met and that France and Germany would do whatever was *necessary* to ensure this. Mr Jean Arthuis, French finance minister, said he had no reason to fear that the Commission would disapprove of the use of France Telecom funds to plug the deficit. "We'll meet the targets," he said of the Maastricht treaty.

Mr Hawkins said: "Today people in the markets have taken the view that at end of the day the politicians will win: France will go into Emu with Germany."

Mr Mark Cliffe, *chief international economist* at HSBC Markets in London, said that with the Commission likely to approve the France Telecom manoeuvre, it would probably also wave through "budget fixes" by other countries *hoping* to meet the Maastricht criteria so as to qualify for the first round of Emu in 1999. "France Telecom is almost a test case for some of the things the Spanish and the Italians have been indulging in in their own budgets," Mr Cliffe said.

The market's belief that the Commission would be lax on budgets helped the lira recover after it fell to about L1,009 to the D-Mark early in the day. The Italian currency was unchanged at L1,005 at the London close yesterday.



■ Pound in New York

Oct 30	—Latest—	— Prev. close —
£ spot	1.6315	1.6100
1 mth	1.6304	1.6092
3 mth	1.6284	1.6079
1 yr	1.6176	1.6003

■ OTHER CURRENCIES

Oct 30	£	$
Czech Rp	43.8118 - 43.8717	26.8410 - 26.8650
Hungary	252.897 - 253.866	154.850 - 154.880
Iran	4868.40 - 4892.70	3000.00 - 3000.00
Kuwait	0.4895 - 0.4907	0.2994 - 0.2996
Poland	4.5709 - 4.5833	2.8040 - 2.8070
Russia	8803.83 - 8913.45	5458.00 - 5459.00
U.A.E.	5.9930 - 5.9988	3.6724 - 3.6727

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POUND SPOT FORWARD AGAINST THE POUND

Oct 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3126	+0.2035	045 - 207	17.3487	17.0915	17.2691	3.0	17.2126	2.3	-	-	104.8
Belgium	(BFr)	50.7172	+0.5802	705 - 638	50.8080	50.0220	50.5922	3.0	50.3272	3.1	49.1322	3.1	108.1
Denmark	(DKr)	9.4492	+0.0944	381 - 462	9.4753	9.3306	9.4282	2.5	9.3826	2.6	9.2087	2.5	107.3
Finland	(FM)	7.3630	+0.0758	548 - 711	7.4030	7.2780	-	-	-	-	-	-	85.1
France	(FFr)	8.3115	+0.0882	088 - 142	8.3405	8.2126	8.2932	2.6	8.2561	2.7	8.0827	2.8	108.0
Germany	(DM)	2.4604	+0.0280	598 - 614	2.4690	2.4270	2.4543	3.0	2.4415	3.1	2.3851	3.1	108.1
Greece	(Dr)	386.435	+4.467	026 - 843	387.431	381.811	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9971	+0.0059	965 - 979	0.9987	0.9899	0.9968	0.4	0.9958	0.5	0.9862	0.8	100.2
Italy	(L)	2472.77	+30.06	102 - 451	2480.32	2443.11	2476.57	-1.8	2484.07	-1.8	2498.57	-0.8	78.9
Luxembourg	(LFr)	50.7172	+0.5802	705 - 638	50.8080	50.0220	50.5922	3.0	50.3272	3.1	49.1322	3.1	108.1
Netherlands	(Fl)	2.7605	+0.0322	592 - 618	2.7659	2.7226	2.7534	3.1	2.7384	3.2	2.6737	3.1	108.2
Norway	(NKr)	10.3943	+0.1097	888 - 998	10.4316	10.2828	10.3815	1.4	10.3618	1.3	10.2686	1.2	98.3
Portugal	(Es)	248.933	+2.885	783 - 084	249.471	245.800	249.128	-0.9	249.468	-0.9	-	-	95.8
Spain	(Pta)	207.553	+2.569	415 - 692	208.126	204.820	207.718	-1.0	207.948	-0.8	207.948	-0.2	80.1
Sweden	(SKr)	10.8600	+0.1402	505 - 095	10.7024	10.5294	10.8807	0.1	10.8587	0.1	10.8746	0.2	80.1
Switzerland	(SFr)	2.0395	+0.0181	381 - 408	2.0503	2.0166	2.0310	4.5	2.0168	4.4	1.9501	4.4	109.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	90.2
Ecu	-	1.2838	+0.0142	830 - 845	1.2870	1.2693	1.2819	1.8	1.2774	2.0	1.256	2.2	-
SDR†	-	1.112840	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6324	+0.0226	316 - 328	1.6346	1.6083	-	-	-	-	-	-	-
Brazil	(R$)	1.6774	+0.0222	765 - 782	1.6785	1.6534	-	-	-	-	-	-	-
Canada	(C$)	2.1884	+0.0293	884 - 904	2.1948	2.1631	2.1843	2.5	2.1724	2.9	2.1144	3.4	85.9
Mexico	(New Peso)	13.0099	+0.2855	981 - 218	13.0312	12.7715	-	-	-	-	-	-	-
USA	($)	1.6324	+0.0223	319 - 328	1.6348	1.6085	1.6314	0.7	1.6296	0.7	1.6188	0.8	87.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0618	+0.0267	602 - 627	2.0648	2.0321	2.0628	-0.6	2.0655	-0.4	2.0631	-0.1	93.8
Hong Kong	(HK$)	12.6213	+0.1721	170 - 256	12.6365	12.4380	12.6114	0.7	12.6001	0.7	12.5355	0.7	-
India	(Rs)	58.2456	+0.8472	479 - 432	58.3440	57.3820	-	-	-	-	-	-	-
Israel	(Shk)	5.3326	+0.0724	264 - 391	5.3427	5.2522	-	-	-	-	-	-	-
Japan	(Y)	185.892	+2.185	792 - 992	187.070	183.340	185.002	5.7	183.142	5.9	175.112	5.8	127.4
Malaysia	(M$)	4.1258	+0.0765	236 - 277	4.1316	4.0484	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3129	+0.0302	111 - 147	2.3167	2.2823	2.3196	-3.5	2.3291	-2.8	2.3498	-1.6	111.8
Philippines	(Peso)	42.9064	+0.5942	374 - 753	42.9760	42.3357	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1221	+0.0836	201 - 241	6.1310	6.0326	-	-	-	-	-	-	-
Singapore	(S$)	2.2984	+0.0234	969 - 998	2.3029	2.2744	-	-	-	-	-	-	-
South Africa	(R)	7.7382	+0.1911	310 - 444	7.7459	7.5441	-	-	-	-	-	-	-
South Korea	(Won)	1355.91	+14.74	546 - 637	1356.37	1336.18	-	-	-	-	-	-	-
Taiwan	(T$)	44.9550	+0.5961	098 - 000	45.0020	44.2949	-	-	-	-	-	-	-
Thailand	(Bt)	41.6217	+0.5413	020 - 413	41.6860	41.0390	-	-	-	-	-	-	-

† Rates for Oct 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100, Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6080	-0.0205	039 - 080	10.6490	10.5880	10.5862	2.2	10.546	2.3	10.351	2.4	104.8
Belgium	(BFr)	31.0700	-0.07	500 - 900	31.1600	31.0000	31.01	2.3	30.8825	2.4	30.3425	2.3	106.0
Denmark	(DKr)	5.7850	-0.0215	835 - 865	5.8125	5.7835	5.7761	1.8	5.7577	1.9	5.676	1.9	108.8
Finland	(FM)	4.5107	-0.014	069 - 144	4.5377	4.4985	4.5019	2.3	4.4837	2.4	4.4007	2.4	84.6
France	(FFr)	5.0915	-0.0157	915 - 920	5.1160	5.0887	5.0855	1.9	5.0862	2.0	4.9938	1.9	106.7
Germany	(DM)	1.5073	-0.003	070 - 075	1.5134	1.5054	1.5044	2.3	1.4985	2.3	1.4737	2.2	107.8
Greece	(Dr)	236.735	-0.505	550 - 920	238.080	236.350	238.28	-7.2	240.86	-7.0	251.885	-6.4	67.4
Ireland	(I£)	1.6371	+0.0128	362 - 380	1.6428	1.6226	1.6366	0.3	1.6355	0.2	1.6354	0.2	-
Italy	(L)	1514.85	-2.3	400 - 570	1523.72	1513.45	1518.05	-2.5	1524.45	-2.5	1537.5	-1.5	76.7
Luxembourg	(LFr)	31.0700	-0.07	500 - 900	31.1600	31.0000	31.01	2.3	30.8825	2.4	30.3425	2.3	106.0
Netherlands	(Fl)	1.6912	-0.0034	908 - 915	1.6988	1.6890	1.6874	2.7	1.6794	2.8	1.6436	2.8	106.0
Norway	(NKr)	6.3677	-0.0001	657 - 697	6.4032	6.3400	6.3639	0.7	6.3583	0.6	6.3327	0.6	98.6
Portugal	(Es)	152.500	-0.32	450 - 550	153.050	151.000	152.705	-1.6	153	-1.3	153.775	-0.8	98.1
Spain	(Pta)	127.150	-0.165	100 - 200	127.560	126.900	127.33	-1.7	127.59	-1.4	128.255	-0.9	80.0
Sweden	(SKr)	6.5434	+0.0056	450 - 537	6.5711	6.5355	6.5405	0.5	6.5358	0.4	6.4994	0.6	90.1
Switzerland	(SFr)	1.2494	-0.0081	489 - 499	1.2566	1.2485	1.2456	3.7	1.2378	3.7	1.2049	3.6	109.2
UK	(£)	1.6324	+0.0223	310 - 328	1.6348	1.6085	1.6314	0.7	1.6296	0.7	1.6186	0.8	88.8
Ecu		1.2715	+0.0033	712 - 718	1.2726	1.2667	1.2729	-1.3	1.276	-1.4	1.2926	-1.7	-
SDR†	-	0.692281	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0001	000 - 000	1.0000	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	1.0276	-0.0005	273 - 278	1.0278	1.0270	-	-	-	-	-	-	-
Canada	(C$)	1.3413	-0.0044	410 - 415	1.3445	1.3401	1.3399	2.1	1.3339	2.2	1.3064	2.6	85.1
Mexico	(New Peso)	7.9700	+0.0545	650 - 750	7.9800	7.9650	8.066	-17.8	8.3545	-18.3	9.215	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2629	-0.0009	625 - 633	1.2634	1.2625	1.2644	-1.4	1.2683	-1.1	1.2718	-0.7	95.5
Hong Kong	(HK$)	7.7320	-0.0002	315 - 325	7.7325	7.7311	7.7316	0.0	7.7325	0.0	7.7435	-0.1	-
India	(Rs)	35.6800	-0.002	500 - 100	35.7350	35.6550	35.857	-7.2	36.357	-7.5	-	-	-
Israel	(Shk)	3.2669	-0.0003	639 - 699	3.2689	3.2602	-	-	-	-	-	-	-
Japan	(Y)	113.880	-0.22	850 - 910	114.500	113.880	113.405	5.0	112.4	5.2	106.2	5.0	127.7
Malaysia	(M$)	2.5275	+0.0125	270 - 280	2.5310	2.5150	2.5302	-1.4	2.5367	-1.3	2.557	-1.2	-
New Zealand	(NZ$)	1.4169	-0.0008	162 - 176	1.4189	1.4161	1.4224	-4.7	1.4267	-2.8	1.4582	-2.9	-
Philippines	(Peso)	26.2850	+0.005	500 - 200	26.3200	26.2500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4080	-0.005	075 - 085	1.4142	1.4075	1.4056	1.6	1.4012	1.9	1.36	2.0	-
South Africa	(R)	4.7405	+0.053	380 - 430	4.7440	4.6815	4.7812	-10.3	4.8562	-9.8	5.171	-8.1	-
South Korea	(Won)	830.650	-2.35	600 - 700	832.500	830.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.5400	-0.01	200 - 600	27.5620	27.5150	27.5401	0.0	27.5403	0.0	-	-	-
Thailand	(Bt)	25.4980	-0.017	930 - 030	25.5270	25.4910	25.588	-4.2	25.7555	-4.0	26.363	-3.5	-

† SDR rate per $ for Oct 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 29: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

October 30	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3⅛	3⅛	3¼	6.00	2.50	-
week ago	3¼	3⅛	3¼	3¼	3¼	5.00	2.50	-
France	3¼	3¼	3⅜	3⅜	3¼	3.35	-	4.75
week ago	3⅜	3¼	3⅜	3½	3⅜	3.35	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3⅛	4.50	2.50	3.00
week ago	2⅞	3⅛	3¼	3¼	3¼	4.50	2.50	3.00
Ireland	5½	5⅝	5⅝	5⅝	5⅝	-	-	6.25
week ago	5¼	5⅝	5⅝	5⅝	5⅝	-	-	6.25
Italy	8¼	7⅞	7⅞	7⅞	7¾	9.00	7.50	8.38
week ago	8¼	7⅞	7⅞	7⅞	7¾	9.00	7.50	8.38
Netherlands	2⅞	2⅞	3	3⅛	3¼	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	3	3¼	-	3.00	3.30
Switzerland	1¼	1⅝	1⅝	1⅝	1⅝	-	1.00	-
week ago	1½	1⅝	1⅝	1⅝	1⅝	-	1.00	-
US	5¼	5¼	5¼	5⅜	5⅝	-	5.00	-
week ago	5¼	5¼	5⅜	5⅜	5⅝	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5½	5⅝	5⅝	-	-	-
week ago	-	5⅜	5⅝	5⅝	5⅝	-	-	-
US Dollar CDs	-	5.08	5.07	5.12	5.24	-	-	-
week ago	-	5.08	5.10	5.19	5.41	-	-	-
ECU Linked Ds	-	4¼	4¼	4¼	4⅛	-	-	-
week ago	-	4¼	4¼	4⅛	4¼	-	-	-
SDR Linked Ds	-	3¼	3¼	3¼	3⅜	-	-	-
week ago	-	3¼	3¼	3¼	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2¾	3⅛ - 2¾	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛
Danish Krone	3⅜ - 3¼	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅜	3⅜ - 3¼
D-Mark	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 2⅞	3¼ - 3	3⅜ - 3⅛
Dutch Guilder	3⅛ - 2⅞	3 - 2⅞	3 - 2⅞	3 - 2⅞	3⅛ - 3	3¼ - 3⅛
French Franc	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3⅜	3⅜ - 3⅜	3⅝ - 3½
Portuguese Esc.	7 - 6⅞	7⅛ - 6⅞	7 - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞
Spanish Peseta	7¼ - 7	7 - 6⅞	7 - 6⅞	6⅞ - 6¾	6¾ - 6⅝	6⅞ - 6⅞
Sterling	6⅛ - 6	6⅝ - 6	6⅛ - 6⅛	6⅜ - 6⅛	6⅞ - 6⅜	6⅝ - 6⅜
Swiss Franc	2⅛ - 1⅞	1⅞ - 1⅞	1⅞ - 1⅞	1⅞ - 1⅞	1⅞ - 1⅞	1⅞ - 1⅞
Can. Dollar	3⅞ - 3¼	3⅞ - 3¼	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3¾ - 3⅝
US Dollar	5⅜ - 5⅛	5⅜ - 5¼	5⅜ - 5⅜	5½ - 5⅜	5⅝ - 5½	5¾ - 5⅝
Italian Lira	6⅛ - 6	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7⅞	7¼ - 7⅛
Yen	⅜ - ⅜	⅜ - ⅜	⅜ - ⅜	⅜ - ⅜	½ - ⅜	⅜ - ⅜
Asian $Sing	3⅞ - 3⅝	3⅞ - 3⅝	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.43	96.44	-0.01	96.46	96.42	14,079	52,972
Mar	96.39	96.38	-	96.40	96.36	10,747	53,012
Jun	96.30	96.32	+0.02	96.35	96.29	372	29,014

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.82	96.79	-0.02	96.83	96.78	28843	219230
Mar	96.82	96.76	-0.04	96.82	96.75	36425	192296
Jun	96.65	96.58	-0.05	96.67	96.55	61453	162369
Sep	96.44	96.36	-0.06	96.46	96.32	54658	154635

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.57	92.58	-0.02	92.63	92.53	14610	71064
Mar	93.08	93.11	-0.02	93.17	93.07	12817	52411
Jun	93.41	93.35	-0.04	93.43	93.31	2230	32631
Sep	93.47	93.40	-0.04	93.47	93.38	2215	22738

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.08	98.15	+0.07	98.17	98.08	8423	31600
Mar	98.11	98.13	+0.07	98.16	98.08	6896	29776
Jun	97.95	97.94	+0.06	97.97	97.89	2141	15522
Sep	97.97	97.72	+0.05	97.75	97.67	577	5499

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.45	99.45	-	99.46	99.45	175	n/c
Mar	99.40	99.40	+0.01	99.40	99.40	150	n/c
Jun	99.29	99.30	+0.04	99.30	99.29	60	n/c

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.86	95.79	-0.07	95.86	95.79	1491	7869
Mar	95.86	95.80	-0.07	95.86	95.79	891	5368
Jun	95.83	95.75	-0.06	95.84	95.76	580	3624
Sep	95.74	95.66	-0.07	95.75	95.65	167	2865

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.62	16.39	4.850	1.966	4876	5.444	20.49	490.7	409.3	21.08	4.022	1.972	4.318	3.218	366.5	2.532
Denmark	(DKr)	53.71	10	8.802	2.605	1.056	2616	2.924	11.00	263.6	219.8	11.32	2.160	1.059	2.316	1.728	196.9	1.360
France	(FFr)	61.02	11.36	10	2.960	1.199	2975	3.322	12.50	299.4	249.8	12.86	2.454	1.203	2.634	1.963	223.7	1.545
Germany	(DM)	20.62	3.839	3.379	1	0.405	1005	1.122	4.224	101.2	84.39	4.346	0.829	0.407	0.890	0.663	75.57	0.522
Ireland	(I£)	50.87	9.471	8.337	2.467	1	2480	2.769	10.42	249.6	208.2	10.72	2.046	1.003	2.196	1.637	186.5	1.288
Italy	(L)	2.051	0.382	0.336	0.099	0.040	100.	0.112	0.420	10.06	8.395	0.432	0.082	0.040	0.089	0.066	7.517	0.052
Netherlands	(Fl)	18.37	3.420	3.011	0.891	0.361	895.7	1	3.763	90.15	75.19	3.872	0.739	0.362	0.793	0.591	67.33	0.465
Norway	(NKr)	48.82	9.089	8.000	2.368	0.960	2380	2.657	10	239.6	199.8	10.29	1.963	0.962	2.107	1.571	178.9	1.236
Portugal	(Es)	20.38	3.794	3.339	0.988	0.401	993.6	1.109	4.174	100.	83.41	4.295	0.820	0.402	0.879	0.656	74.69	0.516
Spain	(Pta)	24.43	4.549	4.004	1.185	0.480	1191	1.330	5.005	119.9	100.	5.149	0.983	0.482	1.054	0.786	89.55	0.618
Sweden	(SKr)	47.45	8.833	7.775	2.301	0.933	2313	2.583	9.716	232.8	194.2	10	1.908	0.935	2.048	1.527	173.9	1.201
Switzerland	(SFr)	24.86	4.629	4.075	1.206	0.489	1212	1.353	5.093	122.0	101.8	5.240	1	0.490	1.073	0.800	91.13	0.629
UK	(£)	50.72	9.443	8.312	2.460	0.997	2473	2.761	10.39	248.8	207.5	10.69	2.040	1	2.189	1.632	185.9	1.284
Canada	(C$)	23.17	4.314	3.797	1.124	0.455	1130	1.261	4.746	113.7	94.84	4.884	0.932	0.457	1	0.746	84.92	0.587
US	($)	31.08	5.786	5.093	1.507	0.611	1515	1.692	6.366	152.5	127.2	6.550	1.250	0.613	1.341	1	113.9	0.787
Japan	(Y)	27.28	5.080	4.471	1.323	0.536	1330	1.485	5.589	133.9	111.7	5.750	1.097	0.538	1.178	0.878	100.	0.691
Ecu		39.50	7.354	6.474	1.916	0.776	1926	2.150	8.092	193.6	161.7	8.326	1.589	0.779	1.705	1.271	144.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6644	0.6643	-0.0001	0.6664	0.6630	26,929	57,499
Mar	0.6687	0.6682	-0.0001	0.6695	0.6677	156	3,597
Jun	-	0.6725	+0.0003	0.6725	0.6716	28	2,528

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8809	0.8830	+0.0024	0.8857	0.8788	18,178	78,308
Mar	0.8928	0.8948	+0.0029	0.8965	0.8903	258	2,688
Jun	-	0.9033	-	-	-	8	289

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8001	0.8006	+0.0004	0.8030	0.7992	14,316	42,620
Mar	0.8080	0.8084	+0.0008	0.8100	0.8076	120	2,668
Jun	0.8165	0.8155	+0.0006	0.8165	0.8155	3	609

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6096	1.6302	+0.0210	1.6332	1.6084	8,212	57,473
Mar	1.6270	1.6270	+0.0196	1.6316	1.6270	34	389
Jun	-	1.6280	+0.0224	1.6300	-	100	152

UK INTEREST RATES

LONDON MONEY RATES

Oct 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8¾ - 4	6 - 5¾	6⅛ - 5⅞	6¼ - 6	6⅜ - 6⅛	6⅞ - 6⅞
Sterling CDs	-	-	6⅛ - 5⅞	6⅛ - 6⅛	6¼ - 6⅛	6½ - 6⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞		-
Bank Bills	-	-	5⅞ - 5⅞	6 - 5⅞	6⅛ - 6⅛	-
Local authority deps.	6⅝ - 5	6 - 5¾	6⅛ - 6	6⅛ - 6⅛	6⅜ - 6⅜	6⅜ - 6⅞
Discount Market deps	6¾ - 5¾	6⅛ - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.

Ave. tender rate of discount on Oct 25, 5.6282pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Oct 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.92	93.74	-0.16	93.93	93.71	54249	96722
Mar	93.78	93.56	-0.20	93.79	93.52	65377	01836
Jun	93.46	93.24	-0.20	93.46	93.18	41715	92071
Sep	93.19	92.97	-0.20	93.21	92.94	24172	55484
Dec	92.96	92.76	-0.10	92.99	92.73	13243	46186

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.26	0.22	0.16	0.02	0.16	0.44
9375	0.08	0.10	0.10	0.09	0.29	0.61
9400	0.01	0.03	0.05	0.27	0.47	0.81

Est. vol. total, Calls 10049 Puts 14384. Previous day's open int. Calls 139291 Puts 132048

EMS EUROPEAN CURRENCY UNIT RATES

Oct 30	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.779384	-0.005574	-1.62	3.31	11
Finland	5.80661	5.76338	+0.00223	-0.74	2.40	5
Portugal	195.792	194.771	+0.332	-0.52	2.17	4
Spain	162.493	162.362	+0.342	-0.08	1.72	1
Netherlands	2.15214	2.15926	+0.00366	0.33	1.30	-2
Belgium	39.3960	39.6559	+0.0702	0.66	0.97	-5
Germany	1.91007	1.92487	+0.00326	0.77	0.86	-8
Austria	13.4383	13.5440	+0.0241	0.79	0.85	-6
Denmark	7.28580	7.39784	+0.01573	1.54	0.10	-11
France	6.40608	6.51107	+0.01367	1.64	0.00	-14
NON ERM MEMBERS						
Greece	292.867	302.395	+0.138	3.25	-1.56	-
Italy	2106.15	1936.43	+3.39	-8.06	10.55	-
UK	0.786652	0.781246	-0.010798	-0.69	2.34	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.580	3.01	3.29	3.56	0.05	0.37	0.70
1.590	-	2.54	2.86	0.10	0.63	1.00
1.600	1.46	1.94	2.30	0.44	0.97	1.38
1.610	0.86	1.38	1.77	0.85	1.47	1.86
1.570	0.45	0.66	1.39	1.50	2.03	2.41

Previous day's vol., Calls 6,190 Puts 3,951. Prev. day's open int., Calls 149,386 Puts 134,699

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.47	94.47	+0.01	94.51	94.46	105,602	468,530
Mar	94.44	94.42	-0.01	94.49	94.42	167,707	387,285
Jun	94.33	94.33	+0.01	94.39	94.30	95,121	280,533

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.03	95.00	-	95.03	95.00	870	4,135
Mar	94.99	94.94	+0.01	94.99	94.92	466	2,114
Jun	94.87	94.83	+0.01	94.88	94.83	31	1,378

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9675	0.08	0.06	0.10	0.13	0.02	0.04	0.09	0.12
9700	0	0.01	0.02	0.04	0.21	0.22	0.26	0.28
9725	0	0	0	0.01	0.46	0.46	0.49	0.50

Est. vol. total, Calls 19863 Puts 2967. Previous day's open int., Calls 459700 Puts 311064

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9825	0.09	0.17	0.10	0.16	0.29	0.50
9850	0.02	0.08	0.10	0.37	0.45	0.66

Est. vol. total, Calls 10 Puts 0. Previous day's open int., Calls 4228 Puts 2060

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9250	0.19	0.70	0.97	0.10	0.09	0.12
9275	0.06	0.50	0.76	0.23	0.14	0.16
9300	0.02	0.33	0.60	0.44	0.22	0.25

Est. vol. total, Calls 2208 Puts 2095. Previous day's open int., Calls 117214 Puts 67391

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	5.75	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	5.75	●Rea Brothers	5.75
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	5.75
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	6.00	TSB	5.75
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	5.75	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	5.75	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00	* In administration	
The Co-operative Bank	6.00	Lloyds Bank	5.75		
Coutts & Co	6.00	Midland Bank	5.75		
Credit Lyonnais	6.00	*Mount Credit Corp	6.00		

COMMODITIES AND AGRICULTURE

Traders fail to solve Chinese import puzzle

The world's copper traders and producers left Beijing this week disappointed after seeking answers to the great conundrum of the world's base metals business: why has China recently repatriated large quantities of copper?

"We're none the wiser," said a western metals trader in the Chinese capital. "Chinese officials appeared deliberately to misunderstand questions about recent copper shipments."

Representatives of large base metal producers and trading houses met for the Third China Metals Conference primed to hear how their Chinese counterparts saw the world copper market developing after its recent volatility.

In the event, Chinese officials gave little away, declining to confirm reports that China had recently taken 100,000 tonnes of copper from London Metals Exchange warehouses in Hamburg, Rotterdam, Long Beach and Singapore.

Some western traders believe China is "arbitraging" the market – shipping the LME metal to China to take advantage of higher domestic prices. Mr Wang Zhongkui, head of research at the China National Non-ferrous Metals Industry Corporation (CNNC), admitted it was "possible" copper had been brought home to take advantage of price differentials. China's copper market tends to be less volatile than the international market.

But Mr Wang said he had no explicit knowledge of large quantities of copper being held in bonded warehouses in Shanghai.

One western copper trader said that levels of stocks held in Shanghai might not be as high as suggested. He also felt that China's repatriation of copper stocks could be part of a drive to replenish state reserves. Last year, it exported about 85,000 tonnes of copper.

Traders were bearish about the immediate outlook for world copper, but expected China's imports of scrap and copper concentrates to continue to be relatively strong to feed its growing smelting capacity.

This assumption was backed up by Mr Wang, who said China's rapid economic growth was creating "ever greater demands for copper". He estimated national consumption would rise to 1.3m tonnes annually by 2000, compared with 950,000 tonnes in 1995.

Domestic production, he said, was likely to continue to fall well short of demand. "Due to the disparity between smelting and mining capacity, China will continue importing copper concentrates and scrap in great quantities in the near future," he said.

"At present, these materials are purchased on spot markets and the imports are much subject to market changes. Efforts are now being made to secure long-term supply contracts by investing in overseas copper mines."

China plans to lift primary copper production by at least 100,000 tonnes annually by 2000, compared with current output from its main mines of 370,000 tonnes. It also has ambitious plans to increase smelting capacity through a renovation programme.

Mr Simon Hunt, a London-based metals analyst, said China would continue to increase its share of world consumption of refined copper. Imports now represented 8 per cent of western consumption of about 10m tonnes, compared with slightly more than 2 per cent in 1987.

But Mr Hunt warned that in spite of China's increasing requirements, the market for refined copper would "be in notable surplus over the next four years, unless there are unexpected disruptions to supplies. Copper's history of famine following feast, as written in the Bible, will return, but perhaps not as soon as many are expecting."

Tony Walker
Sophie Roell

Bigger role for IT in non-Opec production

By Robert Corzine

Information technology and other scientific advances will account for much of the growth in world oil production in coming years, according to a new study.

Cambridge Energy Research Associates, an industry consultancy, says the impact of technological advances has been most dramatic in the growth of oil output in countries outside the Organisation of Petroleum Exporting Countries.

It attributes much of the recent rise in non-Opec oil production to two IT-related technologies.

These are three-dimensional seismic imaging, which enables companies to identify and tap much smaller reservoirs, and measurement-while-drilling, which has resulted in higher historical recovery rates at existing oil fields.

The study expects the two technologies to continue to underpin non-Opec volume rise in the next few years.

Productive capacity in non-Opec countries rose from 39m barrels per day in 1992 to 40.3m b/d in 1995. Cera predicts it will rise to 46.6m b/d by 2002 as the two technologies are more widely used.

The study estimates that between 1995 and 2000 10m b/d of new capacity will be added overall from discovered fields. Of this, three-quarters will be related to the use of 3-D seismic.

The biggest increase is expected in the North Sea, where an additional 3.9m b/d of capacity will come on-stream.

Quiet Revolution: Information technology and the reshaping of the oil and gas business. Cambridge Energy Research Associates, 20 University Road, Cambridge Massachusetts 02138, USA.

COMMODITIES NEWS DIGEST

TVX denies delay to Greek gold mine

TVX Gold, the Canadian mining company, said reports in yesterday's Financial Times about its proposed mine in northern Greece were erroneous. It was not true, said the company in a press release, that the mine "faces further delay", as the FT had reported. A blockade of the site by local residents was lifted last week and "since that time, no 'further delays' have been experienced".

There had been no discovery of a second ancient city on the site of the proposed mine, the company said. In any case, it said, the exact site of the mine had yet to be established. TVX Gold said it was not true, as the FT had reported, that a court order had been obtained by the Greek government archaeological service to survey the area around the proposed mine. No such court order had been sought or obtained. The government had not announced an independent inquiry into the TVX concession area, the company said. "What was agreed was that an independent mining research firm would be involved in evaluating the potential site locations for the gold plant and would make recommendations. This would be the normal procedure which TVX would undertake in any event."

Australian wool rules changed

Australia's federal government yesterday introduced legislation designed to give Wool International, the body charged with selling down the country's large wool stockpile, more flexibility in how it goes about this task.

The minimum disposal requirement is to be reduced from the current 182,000 bales per quarter to 135,000 bales per quarter in the first half of 1997. After that, the figure falls further to 90,000 bales per quarter. The maximum permitted level, however, is lifted from the current 192,000 bales per quarter to 350,000 bales. In addition, a target date of the end of 1998 has been set for the final repayment of debt associated with the stockpile, which built up under a previous guaranteed pricing scheme. Government debt guarantee arrangements will also end on the date.

The aim is to have the stockpile – currently at 2.04m bales – cleared by 2000. This reduction has been achieved by the rigorous "fixed-release" schedule, to which WI has been legally obliged to adhere. However, woolgrowers have complained bitterly over the past 18 months that WI's persistent sales into a weak or falling market have merely compounded price declines. In the face of industry pressure, the government agreed earlier this year to change the legislated sale programme. *Nikki Tait, Sydney*

CBoT chief faces challenge

Mr Patrick Arbor, chairman of the Chicago Board of Trade, will face a re-election challenge on December 11. Mr John Gilmore, a long-time CBoT member who served one year as chairman in 1996, will again seek the post. Mr Arbor has enjoyed wide membership support during his tenure, and has been instrumental in forging link agreements between the CBoT and Liffe. Mr Gilmore will run as an independent candidate, and his name will be entered through petition. *Laurie Morse, Chicago*

Battle over copper at $1,950 a tonne

MARKETS REPORT

By Deborah Hargreaves

The copper market experienced another day of volatile trading yesterday as further selling pressure pushed the metal down to $1,900 a tonne in the morning. But prices bounced by late afternoon to trade at $1,947 a tonne for three-month metal.

"There is a battle around the $1,950-a-tonne mark with Chinese selling pushing against options traders buying to cover their short positions," said Mr William Adams at Rudolf Wolff.

"Some observers doubt whether there is that much scope left in the market to squeeze it significantly higher on the back of option plays or stock drawdowns," said Mr Ted Arnold, metals specialist at Merrill Lynch in London. Mr Adams said an end to the fall in London Metal Exchange stocks could rapidly increase downward pressure on the market.

Aluminium prices are recovering from a sell-off in the past two weeks. The market corrected itself early this week, but rebounded yesterday to close at $1,428 a tonne. "The recovery in the copper market pushed aluminium higher later in the day," said Mr Adams.

North Sea Brent crude oil prices continued their recent slide as the market weakened, falling more than 10 cents to $23.55 a barrel.

December heating oil futures prices on the New York Mercantile Exchange slipped to 68.75 cents a gallon by mid-session, from a close of 69.97 cents, as traders reacted to a rise in stocks. November gas oil futures prices were sharply lower on the falling market for crude and products. Prices dropped $6 a tonne to $217 a tonne on the International Petroleum Exchange in London.

Freight rates were higher, with the Baltic Freight Index up 15 points to 1,296, on increased demand for Panamax ships as US grain shipments continue to be strong.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1395-6	1423-4
Previous	1377-78	1406-07
High/low	1388/1387	1428/1407
AM Official	1387-7.5	1414.5-5.0
Kerb close		1426-8
Open int.	232,726	
Total daily turnover	47,024	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1255-65	1280-90
Previous	1230-35	1258-60
High/low	1260	1285/1280
AM Official	1255-60	1285-6
Kerb close		1285-90
Open int.	6,256	
Total daily turnover	1,758	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	733.5-4.5	740-1
Previous	723.5-4.5	730-1
High/low	727	748/732
AM Official	727-7.5	734-5
Kerb close		747-8
Open int.	39,852	
Total daily turnover	10,811	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7220-30	7330-35
Previous	7180-90	7290-300
High/low	7170/7160	7350/7280
AM Official	7162-3	7280-85
Kerb close		7330-40
Open int.	46,611	
Total daily turnover	13,061	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5915-25	5960-90
Previous	5860-70	5925-30
High/low	5875/5870	5890/5930
AM Official	5873-4	5935-40
Kerb close		5960-90
Open int.	15,314	
Total daily turnover	4,624	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1023.5-4.5	1046-7
Previous	1017-18	1041-42
High/low	1020	1054/1042
AM Official	1020-1	1044-5
Kerb close		1053-4
Open int.	74,539	
Total daily turnover	28,915	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1970-72	1940-42
Previous	1937-39	1921-22
High/low	1942	1955/1900
AM Official	1941-2	1908-9
Kerb close		1950-2
Open int.	172,217	
Total daily turnover	101,277	

■ LME AM Official £/$ rate: 1.6315
LME Closing £/$ rate: 1.6315

Spot: 1.6325 3 mths: 1.6304 6 mths: 1.6267 9 mths: 1.6261

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	93.90	+2.80	93.90	90.80	747	2,808
Dec	92.80	+2.40	92.60	89.70	18,372	25,524
Jan	91.60	+2.10	90.80	89.50	95	1,753
Feb	91.00	+2.00	90.50	89.30	64	933
Mar	90.30	+2.20	90.30	87.90	4,611	11,017
Apr	89.50	+2.20	88.50	88.00	58	539
Total					25,543	60,130

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	380.00-380.40		
Opening	380.50-380.90		
Morning fix	380.30	234.464	477.162
Afternoon fix	379.70	232.659	476.106
Day's High	380.60-381.00		
Day's Low	379.60-380.00		
Previous close	381.30-381.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.25	6 months	3.37
2 months	3.23	12 months	3.47
3 months	3.26		

Silver Fix	p/troy oz.	US cts equiv.
Spot	297.00	482.60
3 months	301.25	488.85
6 months	305.20	494.60
1 year	314.00	506.95

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	233-235
Maple Leaf	385.10-387.55	-
New Sovereign	89-92	54-56

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	380.2	-0.2	-	-	-	-
Dec	381.3	-0.3	381.9	380.6	42,933	99,314
Feb	383.4	-0.2	383.9	382.8	2,312	17,261
Apr	385.5	-0.2	386.0	384.7	1,004	11,142
Jun	387.8	-0.2	388.0	387.0	135	11,138
Aug	390.1	-0.2	391.8	390.8	20	4,421
Total					46,464	187,478

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	385.4	+1.7	385.9	383.2	2,675	19,431
Apr	388.0	+1.7	387.8	386.0	216	7,828
Jul	381.0	+1.7	390.0	389.5	231	1,028
Oct	394.3	+1.7	394.0	394.0	110	132
Total					3,232	28,419

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	117.50	+1.45	117.75	116.05	361	7,423
Mar	118.60	+1.45	-	-	1	451
Jun	119.65	+1.45	-	120.75	-	116
Total					363	7,990

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	480.8	+0.9	-	-	-	-
Dec	482.8	+0.8	484.0	479.0	22,207	64,837
Jan	484.8	+0.8	-	-	-	26
Mar	489.7	+0.8	490.5	485.5	1,331	13,686
May	494.0	+0.8	494.5	491.0	40	6,644
Jul	498.4	+0.8	499.5	495.0	67	5,151
Total					23,812	9,800

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	24.14	-0.20	24.35	24.00	45,548	97,341
Jan	23.79	-0.14	23.95	23.67	18,160	81,067
Feb	23.36	-0.11	23.47	23.26	5,977	37,640
Mar	22.86	-0.12	23.00	22.60	3,494	22,101
Apr	22.49	-0.05	22.52	22.35	1,592	15,818
May	22.11	-	22.11	22.01	1,314	11,189
Total					81,831	392,774

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.51	-0.23	23.86	23.35	14,186	70,765
Jan	23.10	-0.24	23.22	22.96	10,014	41,266
Feb	22.52	-0.22	22.64	22.45	2,859	24,607
Mar	21.95	-0.18	21.98	21.85	510	26,393
Apr	21.41	-0.13	21.43	21.31	1,211	8,661
May	20.84	-0.13	20.87	20.78	375	4,229
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	68.25	-1.56	69.80	68.00	13,247	15,169
Dec	68.65	-1.32	70.00	68.15	17,987	43,090
Jan	68.60	-1.12	70.00	68.15	5,793	30,375
Feb	67.45	-0.92	68.00	67.20	2,999	14,783
Mar	65.25	-0.47	65.60	64.60	669	5,470
Apr	61.60	-0.42	61.80	61.60	232	5,147
Total					46,270	136,984

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	217.25	-6.00	220.50	216.75	9,880	29,398
Dec	213.25	-4.75	215.50	213.00	5,521	23,842
Jan	210.50	-3.50	211.25	210.00	8,773	19,167
Feb	205.75	-2.50	208.25	204.75	508	6,738
Mar	199.00	-2.00	199.25	199.00	28	5,909
Apr	192.00	-1.75	193.00	192.00	439	4,252
Total					14,508	100,657

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.780	-0.006	2.870	2.745	20,154	41,661
Jan	2.770	-0.008	2.850	2.740	6,180	23,753
Feb	2.545	-0.006	2.599	2.525	2,511	13,736
Mar	2.365	+0.005	2.410	2.340	1,360	9,706
Apr	2.160	-0.015	2.195	2.145	635	5,417
May	2.075	-0.015	2.110	2.070	158	4,699
Total					32,327	141,944

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	69.15	+0.05	70.10	68.75	18,922	11,371
Dec	66.35	-0.17	67.00	66.05	11,620	26,629
Jan	64.70	-0.32	65.00	64.40	2,947	12,227
Feb	64.00	-0.47	64.35	63.95	1,120	4,359
Mar	64.15	-0.52	64.50	64.15	131	2,302
Apr	66.25	-0.22	66.35	66.25	72	2,437
Total					32,820	61,568

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	96.25	-1.35	97.25	96.50	45	210
Jan	98.00	-1.90	99.50	98.00	134	2,256
Mar	99.25	-1.65	100.60	99.25	153	1,832
May	100.50	-1.75	101.95	100.50	262	1,484
Jul	102.25	-1.50	103.60	102.25	158	178
Nov	97.00	-1.00	98.00	98.00	5	136
Total					na	na

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	381.00	-3.5	385.50	380.00	9,096	32,692
Mar	375.00	-1	378.50	374.00	4,400	15,991
May	363.25	+1.25	365.00	361.50	327	2,169
Jul	352.50	-	354.50	352.00	668	10,147
Sep	355.00	-1	-	-	8	285
Dec	363.00	-1	365.50	364.00	24	175
Total					14,491	61,812

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	270.25	-4.25	275.00	270.00	40,307	140,221
Mar	276.75	-3.75	280.75	278.50	18,505	90,051
May	283.50	-2.75	286.75	283.00	3,749	42,356
Jul	288.00	-1.25	290.00	287.25	3,636	33,418
Sep	282.00	-1.5	284.00	281.50	209	3,557
Dec	281.50	+0.25	282.00	279.50	1,418	26,429
Total					66,899	337,525

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	92.00	-1.50	-	-	-	332
Jan	93.75	-1.50	-	-	-	773
Mar	95.25	-1.50	-	-	-	160
May	96.50	-1.50	-	-	-	98
Sep	92.00	-1.00	-	-	-	1
Total					na	na

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	689.50	-9	700.50	689.00	29,254	37,003
Jan	690.75	-7.5	699.50	690.00	40,191	61,818
Mar	697.50	-5.5	704.00	697.00	9,118	31,697
May	700.50	-5.25	706.00	700.00	2,282	18,796
Jul	703.25	-5	703.25	702.75	3,785	14,862
Aug	700.00	-6	706.00	700.00	66	1,843
Total					85,691	172,694

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	22.94	-0.16	23.12	22.90	7,262	48,914
Jan	23.22	-0.11	23.35	23.16	3,336	18,650
Mar	23.59	-0.13	23.78	23.55	1,435	17,483
May	23.94	-0.11	24.08	23.90	2,733	10,050
Jul	24.27	-0.03	24.35	24.20	2,073	4,391
Aug	24.30	-0.05	24.40	24.40	419	1,315
Total					17,286	102,870

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	226.6	-2.3	229.6	226.5	12,695	40,318
Jan	222.4	-2.0	225.8	222.3	3,380	10,410
Mar	219.9	-1.3	221.5	216.5	2,427	18,119
May	218.7	-1.7	219.5	216.5	2,273	9,447
Jul	218.5	-2.3	219.5	216.5	697	5,359
Aug	216.5	-2.0	218.0	216.0	234	1,459
Total					21,807	86,421

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	32.5	-	-	-	-	2
Mar	67.5	-	-	-	-	-
Apr	69.5	-2.0	71.0	69.5	20	1,323
May	78.5	-	-	-	-	17
Jun	88.5	-	-	-	-	-
Total					na	na

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1283	-	1280	1280	3	717
Nov	1338	-	1338	1305	145	519
Dec	1288	-	1300	1270	56	401
Jan	1253	-	1265	1248	127	2,008
Apr	1290	-	-	-	-	681
Jul	1109	-	-	-	-	196
Total					na	na

	Close	Prev
BFI	1296	1281

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30. Raw (in shell) naturally opened (round), new crop prices not yet opened as major supplier, RPPC, is still negotiating with growers; spot at 3,600, limited quantity. US almonds (shelled): 23/25 NPSSR up at 5,620 FAS California, Oct to Dec shipment. US walnuts LHP 20%: 5,500 FAS California; in-shell Hartley very difficult (crop yield estimated nearly 50% down) up at 2,380. FAS California. Turkish hazelnuts, standard No 1, vulnerable between 3,500 and 3,600 CFR. Turkish apricots, number one, up at 3,600 FOB Izmir/Mersin. Indian cashews raw: W-320, 5,400 FOS India. Spot goods still firm at 5,800 FCA Rotterdam. US pecans, fancy junior mammoth halves, 1996 crop, estimated at 4,650 FOB.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	931	-1	932	921	1,530	27,323
Mar	964	+3	965	951	2,093	42,719
May	980	+2	982	967	622	16,201
Jul	995	+3	996	984	289	12,125
Sep	1011	+3	1011	999	281	5,109
Dec	1023	+4	1022	1013	321	4,529
Total					na	na

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1364	+8	1370	1352	4,936	23,205
Mar	1397	+9	1403	1385	3,339	24,683
May	1420	+15	1420	1405	420	9,063
Jul	1429	+9	1432	1429	24	8,524
Sep	1443	+9	1445	1442	90	5,795
Dec	1464	+9	1470	1459	-	800
Total					8,809	79,043

■ COCOA (ICCO) (SDR's/tonne)

Oct 29	Price	Prev. day
Daily	1011.49	1010.50

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1482	-40	1510	1469	1,097	5,639
Jan	1387	-13	1390	1365	1,868	15,055
Mar	1332	-1	1334	1310	883	8,151
May	1315	-	1315	1292	326	3,004
Jul	1315	-3	1300	1295	28	502
Sep	1313	-5	1304	1304	3	132
Total					na	na

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	119.15	+2.80	119.75	114.75	7,243	12,659
Mar	106.30	+1.30	106.50	104.25	3,093	9,659
May	103.75	+0.90	104.00	101.75	1,388	3,755
Jul	103.00	+1.10	102.75	101.50	724	1,071
Sep	102.20	+0.45	101.80	101.00	389	613
Dec	102.45	+0.30	101.00	101.00	29	408
Total					12,793	28,339

■ COFFEE (ICO) (US cents/pound)

Oct 29	Price	Prev. day
Comp. daily	95.43	100.46
15 day average	99.33	99.28

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	312.9	-1.3	315.3	312.9	1,076	7,855
Mar	309.1	-1.2	311.5	309.0	875	12,481
May	310.7	-0.3	312.0	310.5	163	4,412
Aug	313.0	-	313.5	313.0	44	1,724
Oct	306.8	-0.1	307.5	306.0	15	1,003
Dec	309.8	-0.3	311.1	310.0	13	284
Total					2,164	27,883

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.47	-0.02	10.57	10.45	10,220	85,139
May	10.54	-0.02	10.63	10.53	1,641	28,124
Jul	10.48	-	10.53	10.47	1,122	19,188
Oct	10.45	-0.01	10.52	10.46	954	11,120
Mar	10.45	-0.01	10.51	10.45	172	3,549
May	10.45	-0.01	10.47	10.45	103	707
Total					14,417	148,262

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	72.95	+0.22	73.00	72.13	4,071	25,430
Mar	74.78	+0.31	74.90	73.98	1,271	13,415
May	75.90	+0.46	75.90	75.10	483	8,018
Jul	76.43	+0.45	76.45	75.85	81	6,732
Oct	76.55	+0.27	76.45	76.40	17	1,275
Dec	76.30	-	76.30	76.15	98	4,485
Total					6,994	58,815

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	108.55	-0.95	109.10	108.50	968	5,329
Jan	101.35	+0.10	101.75	100.25	1,238	8,390
Mar	104.35	+0.05	104.45	103.25	197	4,215
May	107.10	+0.10	107.00	106.05	134	1,090
Jul	109.80	+0.70	-	-	17	546
Sep	111.30	+0.70	-	-	-	250
Total					2,252	19,855

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Oct 30	Oct 29	month ago	year ago
1868.3	1870.2	1907.9	2107.0

■ CRB Futures (Base: 1967 = 100)

Oct 29	Oct 28	month ago	year ago
241.11	243.33		

■ GSCI Spot (Base: 1970 = 100)

Oct 29	Oct 28	month ago	year ago
210.17	211.44	205.22	182.09

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	66.850	+0.175	67.150	66.800	8,749	38,795
Feb	63.475	-0.075	63.800	63.450	2,863	18,857
Apr	65.000	-0.075	65.250	64.975	1,302	12,232
Jun	62.875	-0.050	63.175	62.850	646	5,473
Aug	62.400	-0.100	62.725	62.325	244	5,056
Oct	65.000	-	65.000	65.000	150	3,077
Total					13,982	84,616

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	54.850	+0.900	55.050	54.050	3,621	15,181
Feb	74.950	+0.825	75.075	74.100	1,838	8,248
Apr	70.675	+1.000	70.950	69.775	495	2,676
Jun	75.250	+0.975	75.300	75.200	324	3,095
Jul	73.125	+0.825	73.100	72.300	66	730
Aug	69.525	+0.550	69.700	69.550	110	813
Total					6,962	31,396

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	70.550	+1.150	71.250	69.650	1,402	5,025
Mar	70.600	+1.150	71.125	69.600	204	477
May	72.225	+1.325	72.100	71.175	81	347
Jul	71.975	+0.925	72.250	71.000	17	157
Aug	71.000	+1.000	71.200	69.500	5	46
Total					1,709	6,052

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1300	108	147	-	13
1400	21	78	13	42
1500	-	34	92	97
■ COPPER (Grade A) LME	**Nov**	**Feb**	**Nov**	**Feb**
1800	185	189	-	47
1900	89	128	5	85
2000	23	83	38	138
■ COFFEE LIFFE	**Nov**	**Jan**	**Nov**	**Jan**
1500	19	21	132	189
1550	13	15	176	238
1600	10	10	223	278
■ COCOA LIFFE	**Dec**	**Mar**	**Dec**	**Mar**
950	4	44	22	27
975	2	32	44	39
1000	1	22	89	55
■ BRENT CRUDE IPE	**Dec**	**Jan**	**Dec**	**Jan**
2300	94	-	34	-
2350	-	-	-	-
2400	-	80	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$21.40-1.44x	-0.08
Brent Blend (dated)	$23.15-3.18	-0.105
Brent Blend (Dec)	$23.50-3.53	-0.155
W.T.I.	$24.21-4.23x	-0.07

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$235-237	
Gas Oil	$218-220	-6.5
Heavy Fuel Oil	$119-121	
Naphtha	$224-226	-1
Jet fuel	$246-248	-6
Diesel	$237-239	-8

■ NATURAL GAS (Pence/therm)

		+or-
Bacton (Dec)	13.65-3.80	-0.075

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

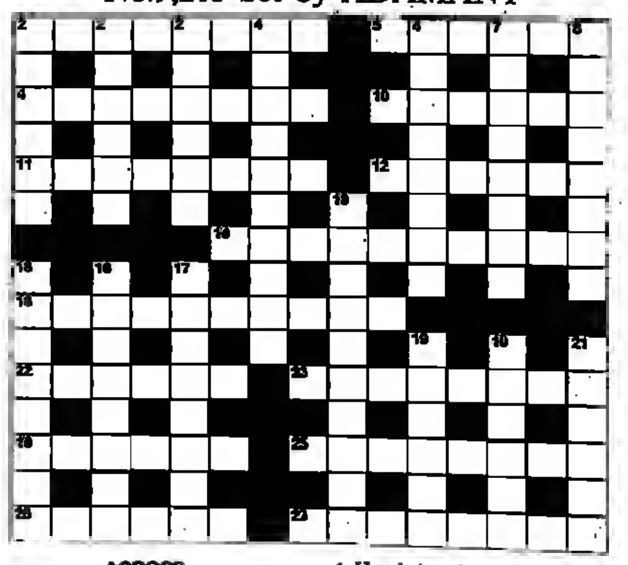
		+or-
Gold (per troy oz)♣	$380.20	-1.30
Silver (per troy oz)♣	483.50c	
Platinum (per troy oz.)	$380.25	-2.00
Palladium (per troy oz.)	$115.75	+0.25
Copper	98.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.65r	-0.02
Tin (New York)	275.50	-3.00
Cattle (live weight)	96.63p	+0.59*
Sheep (live weight)	122.39p	+3.66*
Pigs (live weight)†	94.89p	-0.24*
Lon. day sugar (raw)	$263.80	-1.10
Lon. day sugar (wte)	$322.60	-0.20
Barley (Eng. feed)	£100.0	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	82.00p	-0.50
Rubber (Jan)♥	82.00p	-0.50
Rubber (KL RSS No1)	313.50z	+3.5
Coconut Oil (Phil)§	$740.0v	+5.0
Palm Oil (Malay.)§	532.5z	-2.5
Copra (Phil)§	$435.0v	-5.0
Soyabeans (US)	206.0	+2.0
Cotton Outlook'A' Index	75.75	+0.60
Wooltops (64s Super)	420p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Oct/Nov z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,213 Set by ADAMANT



ACROSS

1 It provides protection for hair (8)
5 Hears about society divisions (6)
9 Decree left out one lot of guns (8)
10 Viper discovered by junction hedging (6)
11 Nothing in mining disaster to your initial shame (8)
12 In which the layers are confined (3-3)
14 Those who believe in saints marching to support reform of the rich? (10)
18 Shed light on sick note about university bird (10)
22 Insubstantial spectacle around the lake (6)
23 Smashing holiday time! (8)
24 Is hard at work producing some salad (6)
25 Causes a stir when the Stones are without sex appeal! (8)
26 Most intelligent village clubs point the way (6)
27 They are in the race course (8)

DOWN

1 Run into an acid party? (6)
2 One of those blinded perhaps by new trend about love (6)
3 Governments are concerned with social security payments (6)
4 Used to time the worker (6-4)
6 Cuts down to the stubble although shaver malfunctions on way back (8)
7 Turning back the lapels on a line (8)
8 For someone like Nick, it's a nasty mess, losing your head (8)
13 Delivery of correct inheritance (10)
15 Carries out tungsten propeller (8)
16 Spade work about garland for the stars (8)
17 Ecstasy with speed, a relative cause of stress (8)
19 Minister taking step to right (8)
20 Tom let out the animals (6)
21 Against the poem being abridged for America (6)

Solution 9,212

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monet, L-2180 Luxembourg 352 424049020

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity			$49.05	49.77	—	-
North America Equity			$75.33	79.78	—	-
Asian Tigers Equity			$60.19	60.79	—	-
Europe Equity			$72.85	73.61	—	-
Germany Equity			DM[illegible]	132.14	—	-
Japan Equity			$47.13	47.00	—	-
Europe Bond			$60.95	61.10	—	-
US Bond			$58.97	58.12	—	-
Global Bond			$60.95	61.10	—	-
Germany Bond B			DM[illegible]	108.62	—	-
Spain Bond			Pta[illegible]	9665	—	-
Eastern Europe Equity F			[illegible]	173.55	—	-
China Equity F			$55.70	56.40	—	-
Switzerland Equity			[illegible]	181.00	—	-

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Selling Price	+ or -	Yield Gr's
Global Cap Portfolio	$3.032	-0.006	-
United States Portfolio	$5.418	+0.018	-
Contl Europe Portfolio	DM5.242	-0.094	-
Japan Portfolio	£0.808	+0.010	-
Pacific Portfolio	$8.405xd	+0.004	-
Gold Portfolio	$6.1PO	-0.072	-
Intl Growth of Income	£2.112	-0.011	3.61
Dollar Portfolio	$1.90710	+0.002	7.00
Sterling Portfolio	£1.10580	—	0.00

Aetna Master Fund (u) (x)
21 avenue De la Liberte, L-1931, Lux 00 352 479 98500

Fidelity Funds - Contd.

Country Select Funds

	Selling Price	+ or -	Yield Gr's
ASEAN	$19.18	-0.17	-
Asian Special Situations	$10.42	-0.00	-
Australia	A$16.52	-0.00	1.28
Emerging Markets	$8.257	-0.056	-
European Sm Cos F	DM13.58	-0.10	-
France	FFr85.17	-0.78	-
Germany	DM21.10	-0.17	-
Hong Kong	$48.68	-0.24	0.88
Iberia	Pta1674	-10	-
Indonesia	$9.985	+0.030	-
Italy	L14002	-150	-
Japan Smlr Cos	Y1042	-8	-
Korea F	$8.345	-0.229	-
Latin America	$8.288	-0.082	0.54
Malaysia	$33.53	-0.15	-
Nordic	SKr183.1	-2.2	-
Singapore	$24.01	-0.22	-
Switzerland	SFr14.82	-0.11	-
Thailand	$26.84	-0.28	-
United Kingdom	$1.137	-0.003	-

Bond Funds

	Selling Price	+ or -	Yield Gr's
European	Ecu11.11	-0.02	5.74
International	$1.053	+0.002	5.24
US Dollar	$5.818	-0.010	8.76
Sterling	£0.285	—	8.23
Yen	71585	-1	2.44

Balanced

	Selling Price	+ or -	Yield Gr's
European Balanced	DM12.51	-0.10	1.92

Prices as at October 29

Fleming Group (u)
0 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34101 or 0800 MKG 204

Mercury Asset Management S.A. - Contd.

Aetna International Umbrella Fund - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Storebrand Scudder Environmental Value Fd

Svenska Securities

Swiss Bank Corporation

CMI Ins Co Ltd/Clerical Med Gen Life - Contd.

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

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Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

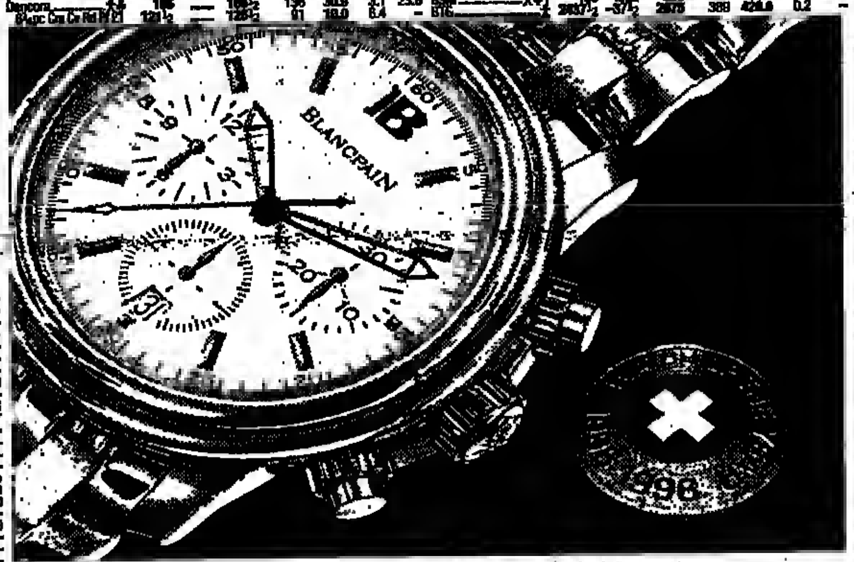
[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]



PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, FOOD - Cont.

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe	♆	10½	[illegible]	10⅞	8⅞	[illegible]	3.7	
Western Star Trucks		17⅞	–⅛	21⅛	17⅞	194.9	–	

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	◊	£21½xd	–	£24¾	£21½	1,724	3.3	◆
Barlow	♣†	854	–1⅛	1015	854	1,099	2.2	–
Gold Flds Prop R		124½	–1½	178	120	12.7	8.2	10.7
MK Props		82	–	98	80	2.49	13.3	–
SASOL	♆	845	–	710	475	3,777	1.8	–
SA Brews		315⅛	–⅛	828⅞	£15⅞	4,800	2.1	◆
Standard Bank		£22⅞	–⅛	£32.7	£22⅞	2,732	1.5	21.8
Tiger Oats	†	780	–	1270	770	1,198	1.9	17.9
Tongaat-Hulett		888¼xd	–71¼	1247	888¼	802.4	2.4	◆

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ∗ Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◊ Figures or report awaited
- ♆ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on [illegible] dividend [illegible]
F Yield based on prospectus or other official estimates for [illegible]
FD (Foreign Income Dividend)
[illegible]
n Rights issue pending
q Earnings based on preliminary figures.
K Yield based on prospectus or other official estimates for 1995
z Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
L Estimated annualised yield, p/e based on latest annual earnings.
e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
Yield based on prospectus or other official estimates for 1995-96.
k Dividend yield includes a special payment
H Dividend is paid in whole or part ex a [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

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LONDON STOCK EXCHANGE

Surprise rate rise knocks wind out of shares

MARKET REPORT

By Peter John

Mr Kenneth Clarke showed his expertise at poker yesterday and the FTSE 100 index registered its irritation at being bluffed.

Over the past few months, the chancellor had seen the rationale for a rate hike gather ground. And, while short sterling was already discounting a rise by the end of the year, Mr Clarke was steadfastly resisting the pressure.

Then, just as nearly every UK economist was finally convinced there would be no tightening ahead of the election, the chancellor went ahead and did it.

That quarter of a percentage point move to 6 per cent prompted an immediate mark-down in stocks, followed by a more considered sell-off later in the afternoon.

Footsie turned around from being 17.3 points up just before mid-morning, to be 29.6 down at 3,963.9 by the close. It breached a perceived support level of 3,990 and, from a chartist's point of view, now has no foundation above 3,930.

The rate increase sent sterling to a two and a half year high on the trade-weighted index and thus hit blue chip stocks – which tend to be the most heavily exposed to overseas earnings – more than the second-line stocks. The FTSE 250 index fell only 8.9 to 4,425.8.

Strategists were stunned by the news. One said: "On a surprise scale of nought to ten I suppose we would register a nine."

The consensus was that 25 basis points was really not enough to have a significant impact on the broad economy, but could herald a give-away Budget in November. And there was some feeling that if the chancellor could raise rates once before an election he could do it again.

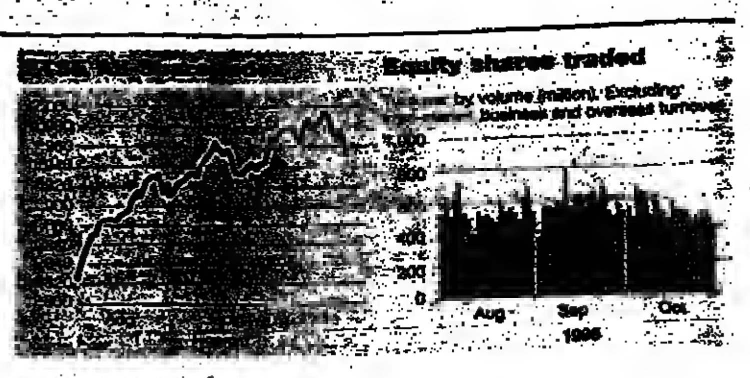
Mr Richard Jeffrey, group economist at Charterhouse Bank, was one of the very few UK strategists to predict a pre-election rise. He said: "The question is 'do they rise again before the election?' and the answer is 'yes and probably half a percentage point in the new year'." He cited the weakness in long gilts as evidence that the move had done nothing to quell concern about inflation.

Other strategists argued that yesterday provided the last opportunity. And Mr Rob Buckland, of HSBC James Capel, added: "The cynics will say 'for monetary caution read fiscal profligacy', but I think it is a genuine attempt to pre-empt inflationary worries."

NatWest Securities voiced concern for manufacturing stocks, which are exposed to overseas earnings, but Mr Ian Williams of Panmure Gordon said: "The momentum in the domestic economy is really quite strong and will probably feed through."

As the market mulled the latest change in monetary policy, it was further affected by US figures in the form of stronger than expected home sales.

The US data took the shine off Treasury bonds and imposed further pressure on UK stocks. Yesterday's shift in prices was accompanied by overall turnover of 721.9m shares, up on Tuesday's 694.8m shares when customer business was worth £1.2bn.



Indices and ratios

FTSE 100	3963.9	-29.6	FT 30	2799.1	-20.2
FTSE 250	4425.8	-8.9	FTSE Non-Fins p/e	18.00	18.11
FTSE 350	1977.1	-12.4	FTSE 100 Fut Dec	3975.0	-41.0
FTSE All-Share	1952.02	-11.48	10 yr Gilt yield	7.59	7.55
FTSE All-Share yield	3.79	3.77	Long gilt/equity yld ratio	2.09	2.10

Best performing sectors

1 Retailers: Food .... +0.9
2 Telecommunications .... +0.2
3 Distributors .... +0.1
4 Other Financial .... +0.1
5 Breweries: Pubs & Rest .... +0.0

Worst performing sectors

1 Tobacco .... -1.9
2 Household Goods .... -1.4
3 Building & Construction .... -1.4
4 Diversified Industrials .... -1.3
5 Building Matls & Merchs .... -1.2

RMC falls after rate change

By Joel Kibazo, Lisa Wood and Ramraj Gogna

The surprise decision of the chancellor of the exchequer to lift UK interest rates cast a shadow over several stocks yesterday.

The building materials sector was perhaps the day's main casualty as dealers focused on the impact of the increasing strength of sterling versus the D-Mark.

RMC Group and Redland were particularly under pressure and shares in the former surrendered 10 to 1102½p while the latter eased 9 to 424½p.

Both groups derive around 45 per cent of operating profits from Germany and Mr Steve Charnock, at Charterhouse Tilney, said: "If exchange rates stay where they are, the impact of just translation will reduce profits by 10 per cent compared with last year."

The change in UK rates also hit the other big stock in the sector – glass maker Pilkington – which reports figures today. The group also has operations in Germany, but analysts said they will be looking to see a reduction in the German cost base in today's figures. Dealers said sentiment was further weakened by reports of continued weakness in international glass prices. Analysts expect the group to report profits of around £75m. Pilkington eased 4½ to 169½p making it one of the day's worst performing stocks.

J Sainsbury was the best performer in the FTSE 100, rising 8½ to 363½p, following its interim results. Sir David Sainsbury, the supermarket group's chairman, while announcing a 14 per cent drop in first-half profits, indicated that it was fighting back against the opposition.

Analysts were relieved that Sainsbury appeared to be making a more honest appraisal of its weaknesses. Mr Paul Smiddy, food retailing analyst at Crédit Lyonnais Laing, who recently wrote a critical note on Sainsbury and downgraded his forecasts, said: "I still think Sainsbury will have to struggle to achieve industrial levels of sales growth. But, the management now is prepared to acknowledge weaknesses, which is a first step to progress."

Mr Smiddy has downgraded this year's forecasts further, from £718m to £710m, but has lifted his estimates for next year from £783m to £799m. A number of analysts who had not downgrade forecasts a few weeks ago did so following the interim result, including SBC Warburg, Sainsbury's house broker, which was reported to have reduced its estimates to £720m. Tesco, one of Sainsbury's main competitors which is showing stronger market growth, hardened 2¼ to 326p.

Great Universal Stores climbed 5½ to 610p on reports that some brokers were saying the retailer might be about to float Burberry. One analyst said it was probably too early for the new management to have made such a decision.

Boots slipped 12 to 616½p amid continuing concern about the future profitability of its over-the-counter medicines business.

Stakis softened one penny to 98½p as rumours circulated that it was about to declare a rights issue to fund an acquisition of Lonrho's Metropole hotels.

Guinness fell 4½ to 445p amid speculation that the agreed £1.2bn purchase of a 58.75 per cent stake in DFS, the US distribution company, by LVMH might provoke the French luxury goods company to sell part of its 20 per cent stake in Guinness.

There was little reaction to the change in interest rates in the banking sector. Abbey National, one of the country's leading mortgage groups, in fact advanced 1¼ to 635½p in heavy trading of 12m. Dealers were said to have been eager to cover short positions following the completion of a substantial buying order earlier this week. Sentiment was enhanced by the return of talk that the group may merge with Prudential. However, analysts dismissed such talk and Prudential closed 1½ lighter at 465p.

Lloyds TSB, another group exposed to the UK housing sector, followed the market lower, closing 3½ off 389p. Barclays fell 15 to 954½p on reports of a big US seller.

The increasing strength of sterling against the dollar also weakened several pharmaceuticals stocks considered to be "big dollar earners". Shares in Glaxo Wellcome fell 14½ to 956p, while SmithKline Beecham eased 9 to 754½p.

The household goods sector was the worst performer in the market, mainly because of Reckitt & Colman which fell 16 to 706½p. One analyst said that, with substantial overseas earnings, the company was vulnerable to a strong pound.

Information technology group Parity rose on the back of an order from BT. The shares rose 16 to 318½p. Sema, the technology group, lifted 31½ to 887½p on news of a £25m French acquisition.

A profits warning sent Havelock Europa, the building group, down 84½ to 283p.

A few television stocks climbed ahead of the end of the three-months moratorium on the Broadcasting Act which liberalises cross-media ownership rules. Border TV hardened 8¼ to 301p and Scottish TV rose 4 to 732½p.

Carlton Communications softened 7½ to 495¼p on continuing rumours, denied by sources close to Carlton, that it has an acquisitive interest in Pearson, which hardened 2 to 758¼p.

Manchester United climbed 20 to 533p on hopes of a victory in last night's European Champions League game. News that BAT Industries will not demerge its US operations saw the shares reverse earlier gains as the group reported third-quarter figures. Shares closed 9 off at 427p.

In telecoms, Vodafone Group saw bid speculation with US group AT&T cited as a possible predator. The shares firmed 2¼ to 236p in heavy trading of 16m. The stock was also heavily dealt in the traded options sector where the equivalent of 5.6m shares was traded.

Several analysts dismissed the bid talk. Mr James McCafferty, at ABN Amro Hoare Govett, said: "We believe Vodafone may consider forming an alliance with another international cellular operator."

There was pessimism about Vickers following a "reduce" note from US investment bank Merrill Lynch. Analysts at Merrill believes the rating for Vickers is too high. They are sceptical of any merger between Vickers and GKN materialising in the near future and feel it is unlikely that Vickers will be able to sell Rolls Royce motors or other units it owns in the short term. Vickers dropped 5 to close at 295p and GKN fell 10½ to 1161p.

FT 30 INDEX

	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24	Yr ago	*High	*Low
FT 30	2799.1	2819.3	2839.4	2834.1	2819.5	2578.8	2886.2	2668.8
Ord. div. yield	4.07	4.03	4.01	4.01	4.03	4.13	4.22	3.76
P/E ratio net	15.95	17.10	17.22	17.20	17.13	15.81	17.48	15.80
P/E ratio nil	16.79	16.94	17.06	17.04	16.97	15.32	17.30	15.71

FT 30 since compilation: high 2895.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2827.1	2822.9	2830.9	2824.5	2822.1	2808.0	2808.7	2804.3	2794.2	2831.4	2793.5

	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24	Yr ago
SEAQ bargains	36,098	38,313	42,438	34,484	33,898	24,478
Equity turnover (£m)†	–	1203.1	1205.2	1481.1	1463.2	1892.3
Equity bargains†	–	28,510	32,561	28,340	27,635	30,058
Shares traded (m)†	–	497.9	428.2	458.8	510.5	881.1

†Excluding intra-market business and overseas turnover.

	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24	Yr ago	*High	*Low
FTSE AIM	1022.20	1021.70	1022.20	1021.90	1011.90	–	1140.40	965.70

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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	408	Total Highs	56	Total contracts	64,500
Total Falls	959	Total Lows	181	Calls	35,431
Same	1,239			Puts	29,069

Oct 30 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4030.0	3983.0	-33.0	4036.0	3972.0	19302	62348
Mar	4017.0	3998.0	-32.0	4017.0	3998.0	110	685
Jun	4032.5	4013.0	-32.0	4032.5	4026.0	60	1294

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4470.0	4480.0	+10.0	4475.5	4470.0	338	3671

■ FTSE 100 INDEX OPTION (LIFFE) (*3962) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

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■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

■ FTSE 350 Industry baskets

[illegible]

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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 30 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 30 / Frs.)

[illegible]

CZECH REP (Oct 30 / Koruna)

[illegible]

DENMARK (Oct 30 / Kr)

[illegible]

FINLAND (Oct 30 / Mka)

[illegible]

FRANCE (Oct 30 / Frs.)

[illegible]

GERMANY (Oct 30 / Dm.)

[illegible]

GREECE (Oct 30 / Drachma)

[illegible]

ITALY (Oct 30 / Lire)

[illegible]

NETHERLANDS (Oct 30 / Fls.)

[illegible]

NORWAY (Oct 30 / Kroner)

[illegible]

POLAND (Oct 30 / Zloty)

[illegible]

PORTUGAL (Oct 30 / Escudo)

[illegible]

SPAIN (Oct 30 / Pts.)

[illegible]

SWEDEN (Oct 30 / Kronor)

[illegible]

SWITZERLAND (Oct 30 / Frs.)

[illegible]

TURKEY (Oct 30 / TK Lira)

[illegible]

PACIFIC

JAPAN (Oct 30 / Yen)

[illegible]

HONG KONG (Oct 30 / H.K.$)

[illegible]

INDONESIA (Oct 30 / Rupiah)

[illegible]

MALAYSIA (Oct 30 / MYR)

[illegible]

NEW ZEALAND (Oct 30 / NZ $)

[illegible]

SINGAPORE (Oct 30 / S$)

[illegible]

AUSTRALIA (Oct 30 / Aus$)

[illegible]

SOUTH KOREA (Oct 30 / Won)

[illegible]

TAIWAN (Oct 30 / TW $)

[illegible]

THAILAND (Oct 30 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Oct 30 / Rand)

[illegible]

NORTH AMERICA

CANADA

MONTREAL (Oct 30 / Can $)
4 pm close

[illegible]

TORONTO (Oct 30 / Can $)
4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Oct 30	Oct 29	Oct 28	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16743.39	16596.94	18881.95	20/5	15297.28	22/8
Australia							
All Ordinaries(1/1/80)	2336.7	2323.0	2334.1	2377.80	24/10	2089.10	17/7
All Mining(1/1/80)	946.0	946.6	953.9	1118.40	8/5	923.10	23/9
Austria							
Credit Aktien(30/12/84)	363.11	362.89	366.12	384.99	31/5	348.19	6/9
Traded Index(2/1/91)	1080.30	1082.24	1076.59	1142.81	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1796.67	1802.02	1812.01	1829.85	3/10	1574.80	2/1
Brazil							
Bovespa(29/12/83)	(u)	65496.0	64011.0	67999.90	21/10	43801.00	2/1
Canada							
Metals Mins♣(1975)	(u)	5211.88	5205.25	5924.60	8/5	4087.47	18/1
Composite♣(1975)	(u)	5585.08	5583.36	5576.20	23/10	4738.70	15/1
PortfolioSS(4/1/83)	(u)	2760.58	2747.89	2772.77	23/10	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5397.10	5432.53	5804.33	8/1	5216.28	8/4
Denmark							
CopenhagenSE(3/1/83)	445.16	445.46	448.52	454.29	21/10	368.40	2/1
Finland							
HEX General(28/12/90)	2191.63	2198.25	2226.66	2265.40	22/10	1651.67	10/1
France							
SBF 250(31/12/90)	1439.61	1438.71	1453.17	1468.67	18/10	1250.16	2/1
CAC 40(31/12/87)	2124.76	2125.74	2150.39	2165.23	18/10	1897.86	11/1
Germany							
FAZ Aktien(31/12/58)	939.16	937.27	945.88	952.88	18/10	818.56	2/1
Commerzbank(1/12/53)	2731.40	2727.30	2750.70	2782.80	18/10	2370.10	2/1
DAX‡(30/12/87)	2578.73	2573.62	2703.83	2734.82	18/10	2284.86	2/1
Greece							
Athens SE(31/12/80)	925.81	929.11	(c)	1017.88	4/3	872.90	7/8
Hong Kong							
Hang Seng(31/7/64)	12405.47	12192.77	12282.77	12810.06	16/10	10204.87	2/1
India							
BSE Sens.(1979)	3172.96	3339.94	3264.52	4069.28	18/6	2828.06	25/1
Indonesia							
Jakarta Comp.(10/8/82)	568.86	567.75	567.27	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2846.85	2855.10	(c)	2700.04	4/10	2234.81	2/1
Italy							
Banca Comm Ital(1972)	605.13	608.98	616.09	674.10	20/5	572.21	27/3
MIB General(2/1/96)	1028.0	1029.0	1045.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20661.87	20958.08	20885.41	22666.80	26/6	18734.70	13/3
Nikkei 300(1/10/82)	295.08	294.73	293.12	319.70	26/6	284.48	11/3
Topix(4/1/68)	1582.86	1572.80	1564.94	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2029.77	2032.16	2030.01	2251.48	2/7	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1160.74	1160.85	1162.09	1166.84	30/4	983.16	2/1
Mexico							
IPC(Nov 1978)	(u)	3199.08	3216.47	3433.76	27/8	2726.26	8/3
Netherland							
CBS TtlRtnGen(End 83)	878.8	880.7	891.8	898.00	22/10	539.80	2/1
CBS All Shr(End 83)	397.4	399.9	405.4	408.80	22/10	336.70	2/1
New Zealand							
Cap. 40(1/7/86)	2301.44	2284.46	(c)	2307.78	21/10	2025.14	7/8
Norway							
Oslo SE(Ind)(2/1/83)	1453.57	1453.95	1465.61	1494.38	15/10	1258.98	30/1
Philippines							
Manila Comp(2/1/85)	2927.30	2904.41	2852.16	3374.40	5/7	2576.87	2/1
Portugal							
BVL 30(4/1/93)	1998.76	1991.21	2000.30	2013.16	9/10	1682.81	2/1
Singapore							
SES All-S'pore(2/4/75)	512.83	508.89	512.51	610.37	5/2	503.78	21/10
South Africa							
JSE Gold(28/9/78)	1708.1♥	1708.0	1717.7	2800.40	29/5	1346.40	2/1
JSE Ind.(28/9/78)	8124.7♥	8114.4	8221.2	8739.30	25/1	7635.80	30/8
South Korea							
KoreaCompEx**(4/1/80)	757.00	766.32	780.08	986.84	7/5	752.35	28/8
Spain							
Madrid SE(30/12/85)	375.89	379.03	381.86	383.41	24/10	323.75	11/1
Sweden							
AffarsvaldsGen(1/2/37)	2130.7	2152.9	2191.7	2198.89	21/10	1786.40	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1770.90	1775.83	1787.29	1813.10	15/10	1518.10	17/1
SBC General(1/4/87)	1259.30	1261.60	1270.61	1285.94	15/10	1144.7	26/1
Taiwan							
WeightedPr.**(30/6/66)	6425.09	6359.87	6424.72	6844.89	5/10	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	908.11	924.56	931.51	1415.84	6/2	905.34	15/10
Turkey							
Istanbul Cmp.(Jan 1986)	83682.5	(c)	(c)	85772.30	23/10	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	790.5	790.4	788.8	801.79	21/10	725.80	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1754.97	1758.14	1776.01	1780.48	21/10	1504.40	11/1
Euro Top-100(26/6/90)	1475.88	1480.97	1501.38	1509.85	18/10	1333.01	11/1
HSBC JC Drgn(31/12/90)	(u)	384.01	386.31	388.86	18/10	344.19	2/1
ING Brngs Emrg(7/1/92)	(u)	155.88	156.86	165.91	4/7	147.36	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ **CAC-40 (200 x Index)**							
Oct	2126.0	2124.0	+5.0	2142.0	2121.0	21,802	13,954
Nov	2131.5	2128.5	+5.5	2146.0	2128.5	9,381	14,107
■ **DAX**							
Dec	2699.0	2675.5	-8.50	2703.5	2688.0	20,449	-
Mar	2718.5	2694.0	-9.00	2720.0	2698.5	80	-
■ **OMX**							
Nov	1683.00	1662.00	-16.00	1686.50	1658.00	6,439	28,164
Dec	1686.00	1666.25	-19.75	1686.00	1666.25	12	3,434
■ **SOFFEX**							
Nov	3751.0	3720.5	-18.5	3754.9	3720.5	3,718	21,805
Dec	-	3725.0	-	-	-	103	658

** Sat Oct 26: Taiwan Weighted Price (c); Korea Comp Ex 791.81. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. SS Montreal. ♦ Toronto. (u) Closed. (u) Unavailable. ‡ DAX after-hours Index: Oct 30: 2584.75 -15.75. 1 Correction. ° Calculated at 13.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Oct 29	Oct 28	Oct 25	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6007.02	5972.73	6007.02	6094.23 (18/10)	5032.94 (10/1)	6094.23 (18/10/96)	41.22 (8/7/32)
Home Bonds	103.08	102.81	102.72	106.89 (14/2)	100.99 (15/7)	106.77 (18/10/93)	54.99 (1/10/81)
Transport	2097.95	2105.57	2126.69	2299.20 (22/5)	1882.71 (18/1)	2299.20 (22/5/96)	13.23 (8/7/32)
Utilities	224.50	222.75	223.31	234.80 (12/2)	204.88 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6054.72 (6062.67) Low 5939.82 (5952.61) (Theoretical♣)
Day's high 6032.73 (6043.17) Low 5959.89 (5972.50) (Actual♣)

Standard and Poors	Oct 29	Oct 28	Oct 25	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	701.50	697.26	700.92	710.82 (18/10)	598.48 (10/1)	710.82 (18/10/96)	4.40 (1/6/32)
Industrials♥	823.90	820.70	825.21	838.56 (18/10)	702.07 (15/7)	838.56 (18/10/96)	3.52 (30/6/32)
Financial	76.46	75.14	75.49	76.46 (29/10)	58.87 (10/7)	76.46 (29/10/96)	7.13 (4/6/74)
NYSE Comp.	373.13	370.98	373.26	378.32 (18/10)	321.41 (10/1)	378.32 (18/10/96)	4.84 (25/4/42)
Amex Mkt Val	585.89	586.55	586.79	614.98 (22/5)	525.80 (16/7)	614.98 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1203.05	1215.89	1222.80	1258.10 (15/10)	985.67 (18/1)	1258.10 (15/10/96)	54.87 (3/10/74)

■ **RATIOS**

	Oct 25	Oct 18	Oct 11	Year ago
Dow Jones Ind. Div. Yield	2.16	2.12	2.10	2.46
	Oct 23	Oct 16	Oct 9	Year ago
S & P Ind. Div. yield	1.92	1.92	1.95	2.08
S & P Ind. P/E ratio	23.15	23.13	22.84	17.95

■ **NEW YORK ACTIVE STOCKS**

Tuesday	Stocks traded	Close price	Change on day
Electr Data	11,491,800	44⅞	+3¾
Citicorp	5,471,000	97⅛	+2⅜
AT & T	5,111,100	35⅝	-¼
Compaq	4,818,800	67⅛	-3⅛
Mercury Fin	4,330,500	11⅞	+1⅛
Micron Tech	4,240,800	26⅝	-½
Amer Online	4,002,900	25⅝	+1⅛
Natl Oil	3,022,500	20⅛	+3⅛
CompUSA	2,874,500	51½	-5⅜
J&L Spcl	2,856,800	11¼	-⅛

■ **TRADING ACTIVITY**

● Volume (million)

	Oct 29	Oct 28	Oct 25
New York SE	444.849	378.776	384.980
Amex	18.236	16.169	16.979
NASDAQ	572.461	514.377	564.384
NYSE			
Issues Traded	3,258	3,249	3,239
Rises	1,295	872	1,159
Falls	1,152	1,540	1,157
Unchanged	811	837	923
New Highs	115	124	102
New Lows	60	47	87

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ **S&P 500**							
Dec	706.35	705.50	-0.75	708.15	705.00	96,548	177,997
Mar	714.50	711.70	-0.85	714.80	711.50	1,282	6,310

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ **Nikkei 225**							
Dec	20970.0	20690.0	-250.0	21050.0	20670.0	24,087	212,770
Mar	21020.0	20810.0	-230.0	21030.0	20770.0	535	12,819

Open interest figures for previous day.

■ **TOKYO - MOST ACTIVE STOCKS:** Wednesday, October 30, 1996

	Stocks Traded	Closing Prices	Change on day
Yuken Kogyo	8.1m	766	+92
Mitsubishi Elect	4.8m	670	-21
Sumitomo Mtl Ind	4.5m	317	-1
Daido Stl Sheet	3.9m	1330	+120
Mitsubishi Hvy	3.3m	889	+3
Toshiba	3.3m	716	-14
Nippon Steel Cp	3.0m	333	-4
Mitsubishi Matl	3.0m	510	-1
Miyakoshi Corp	3.0m	1060	+102
NEC Corp	2.8m	1250	+10

4 pm close October 30

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
27	17¾	AAR x	0.48	1.8	24	230	u27	26¾	27	+⅛
46⅛	33¾	AMP	1.00	2.9	16	12459	34½	33⅞	34	-¼
97½	68	AMR			16	3850	82	80¾	80⅞	-⅛
50½	37⅛	ASA	2.00	5.2	25	291	38¾	38½	38⅝	+⅛
53⅛	38⅛	AbbtL	0.96	1.9	21	6606	51	49¾	50	-⅝
17¼	12¼	Abitibi Pr	0.48	2.9	7	401	14⅛	13⅞	13⅞	
20¼	13½	ABM Ind	0.35	2.0	17	101	17⅜	17¼	17⅜	+⅛
21	13⅞	Acpincoln			41	64	19¾	19¾	19¾	
57¼	37⅞	ACE Ltd	0.58	1.9	13	983	54½	53⅞	54⅛	+½
10¼	9⅛	ACM Gvt In	0.60	8.9	8	35	d10¼	10⅛	10⅛	-⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		164	7⅛	7	7	
9⅝	8⅛	ACM Man	0.80	0.6		144	u9⅝	9½	9½	-⅛
13⅞	8⅛	Acme Elect	0.32	4.2	127	34	7¾	7⅝	7⅝	-⅛
18⅞	13⅞	Acme Mills			13	14	18¾	18½	18½	-⅛
33¾	27¾	Acordia	0.72	2.5	14	27	29¾	29⅛	29⅛	-⅝
21⅛	12	Acuson			190	1428	21⅞	20⅝	21⅛	+½
20⅜	17⅞	Adams Expr	0.48	2.4	1	176	20⅛	19⅞	19⅞	-⅛
21¼	15⅛	AdvMic			18	5845	17⅞	17⅝	17¾	-⅛
11⅛	8½	Advest Grp	0.16	1.8	8	47	9⅛	9	9⅛	
26⅝	9⅛	Advo Inc	0.10	0.7	107	447	14⅛	14	14	-⅛
53⅞	41⅛	Aegon	1.45	2.8	18	87	51⅞	51½	[illegible]	-1
6¾	3½	Aerflx			2	37	4½	4⅜	4⅜	
70⅞	57⅝	Aetna x	0.80	1.2	8	8023	67⅛	64	67	+3½
39⅞	28¼	Aflac	0.46	1.8	19	1636	u39⅞	39½	39½	-¼
21⅝	17⅛	AGL Res	1.08	5.1	17	253	21	20¾	20¾	
30⅞	21¼	Ahmanson	0.88	2.9	53	4992	30¼	29⅞	30⅛	+⅛
62⅛	50⅜	AirPrC	1.10	1.9	15	2186	60⅛	58¾	59¾	-¾
28⅛	19½	Airbne Frt	0.60	1.5	14	1856	20	d19½	19½	-⅛
25½	15½	Airgas Inc			35	496	22⅞	22¼	22⅞	+⅜
19⅞	13¼	Airlease	1.80	12.1	0	41	15	14⅞	14⅞	
33⅜	25	AirTch			71	9143	28	25½	25¾	-⅛
30¾	15⅞	Alaska Air	0.20	0.9	7	321	21½	21	21⅝	+⅜
[illegible]										

- B -

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
46¾	23	Baxter	1.21	0.0	16	12563	41½	40⅞	41	-⅛
43⅝	18⅛	BayNtwks			275	1412	20⅝	19½	20⅝	+2¼
29⅞	25⅛	Bay St Gas	1.34	5.7	13	67	27⅛	27¼	27¼	-⅛
40⅞	15¾	BBH			9	531	21	20⅛	21	+⅛
22¾	19⅛	Bd Tr 1838	1.56	7.9		3	19⅞	19¾	19¾	
8⅞	7⅜	BEA Inc	0.72	0.8		994	7½	7⅜	7½	
9⅜	8½	BeaStrat	0.01	9.0		50	9⅛	9	9	
24⅞	17¼	Bear Strns	0.58	2.8	6	3904	23⅝	23¼	23⅜	+⅛
44¾	41	BearSOPA	2.82	6.4		2	43⅞	43⅞	43⅝	

- C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

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Continued on next page

NYSE PRICES

4 pm close October 30

Continued from previous page

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s-split, u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

4 pm close October 30

NASDAQ NATIONAL MARKET

4 pm close October 30

Bonds and equities hit by wage worries

AMERICAS

US shares gave up early gains as worries that wage pressures might lead to inflation sent the bond market lower, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Index was off 5.96 at 6,001.06 and the Standard & Poor's 500 fell 0.64 at 700.66 while the American Stock Exchange composite rose 0.78 to 566.67. NYSE volume was 260m shares.

Near the opening, the Dow jumped by nearly 22 points on continued strength in the bond market, but at midday both stocks and bonds retreated after the Federal Reserve's Beige Book noted increases in wage pressures in some areas of the US.

Bethlehem Steel, which is a component of the Dow, was up $⅛, or 2 per cent, at $8¼ after reporting operating earnings of 12 cents a share, a cent ahead of the median forecast from analysts.

CompUSA, a computer retailer, continued to tumble, although it reported earnings modestly ahead of forecasts, adding a drop of $5⅝, or 11 per cent, to $47⅞ on top of Tuesday's loss of $5⅝. On Tuesday, an analyst warned that the company faced worsening market conditions.

America Online jumped $2¼, or 8 per cent, at $27⅞ on continued momentum sparked by Tuesday's announcement that it would restructure its operations and focus on developing new revenue streams.

Shares in Vons jumped $10¼, or 24 per cent, to $53⅞ after Safeway said it planned to buy the 65 per cent of the rival supermarket chain that it does not already own in an all-stock deal. Shares in Safeway fell $1⅞, or 4 per cent, to $41½.

TORONTO's golds recovered from early falls, strong demand emerged for banks and the TSE-300 composite index was 28.90 higher by noon at 5,594.00 in heavy volume of 61.3m shares.

Trizec rose 15 cents to C$13.65 following an announcement by the real estate group of higher nine-month profits.

WIC Western International Communications jumped C$1.75 to C$21.75 after the broadcaster won a licence to offer high-speed wireless communications in 38 urban areas. Seagram was C$1.25 higher at C$50.45 on higher first-quarter net income and an improved quarterly dividend.

MEXICO CITY was sharply lower as foreign sentiment was soured by reversals in the country's privatisation effort and by the weakness of the peso.

The blue chip IPC index lost 35.80 to 3,163.28 as the benchmark 48-hour peso tumbled 8 centavos to 7.99/8.02 pesos per dollar.

Analysts noted that foreign investors were concerned by the Mexican government's backtracking on petrochemical privatisation plans and were further dismayed by a bill to postpone setting up privatised pension funds that was sent to Congress on Monday.

They also noted that investors were nervous ahead of official economic policy criteria due out in a few weeks. The criteria include guidelines for monetary policy for the coming year.

On the broad market, just one stock, steelmaker Hylsamex, was ahead, while 64 were down out of 73 stocks traded.

Bourses decline after UK rate rise

EUROPE

Bourses were showing some resilience at the beginning of the day, but they lost heart after the UK interest rate rise and a Goldman Sachs prediction that the US Federal Reserve would raise rates by 125 basis points over the next 12 to 18 months.

The dollar, too, was losing further ground, and Wall Street compounded matters as it looked at US September home starts – both treasuries and the Dow lost early gains by the American mid-morning.

FRANKFURT was reminded, all too soon, of Tuesday's forecast from six German economics institutes that the next Bundesbank interest rate move could be upwards. The Dax index ended 10.78 lower at 2,664.72 after an intraday high of 2,692.11, turnover rising from DM7.4bn to DM8.3bn.

Individual shares reflected the shifting mood of the bourse. Deutsche Bank climbed more than a percentage point after it said that Mr Rolf Breuer, an investment banker and a member of the group's management board, would succeed Mr Hilmar Kopper as chief executive. However, the shares ended just 6 pfg higher at DM70.40.

Volkswagen made a high for the day of DM602.50, favouring positive group progress reports rather than the news that a Frankfurt court had rejected the VW defamation suit against General Motors and Adam Opel. However, it, too, subsided to close DM4.50 higher at DM598.

AMSTERDAM reversed early gains to close with the AEX index 4.66 lower at 577.09. Financial groups came under fire after the British rate move, with ING down Fl 1.40 at Fl 52.20 and ABN Amro Fl 1.20 lower at Fl 95.80.

BolsWessanen hit Fl 31.10, and closed Fl 1 higher at Fl 29.60 in high volume of 3.09m shares, although it denied early UK speculation that Grand Metropolitan might be planning a takeover bid for the Dutch food and drinks group. In retailing, De Boer's planned merger with its unlisted rival, Unigro, took the supermarket group up Fl 12.50 to Fl 106.80.

ZURICH became increasingly cautious and profit-taking pulled the SMI index back from a high of 3,752.3 to close 8.9 weaker at 3,723.1.

Against the trend, Swissair held on to a SFr1 advance at SFr987 on hopes that Sabena, the Belgian carrier in which Swissair has a 49.5 per cent stake, was close to an accord with unions.

FTSE Actuaries Share Indices

Oct 30							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1758.18	1758.98	1758.78	1758.76	1757.30	1756.38	1755.60	1754.97
FTSE Eurotrack 200	1818.74	1820.47	1819.58	1819.38	1818.81	1817.28	1814.08	1811.04

	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23
FTSE Eurotrack 100	1768.14	1776.01	1766.55	1772.46	1777.80
FTSE Eurotrack 200	1812.44	1832.23	1821.67	1820.24	1829.37

Base value 1000 (26/10/90); Highday: 100 - 1761.07; 200 - 1820.73 Lowday: 100 - 1753.53 200 - 1811.04. † Partial
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Tag Heuer closed SFr12.5 lower at SFr206.5, compared with the SFr245 a share offer price on September 27, as investors continued to demonstrate their doubts about the issue.

PARIS put a lot of work into consumer stocks as the CAC-40 index, higher for most of the day, finally succumbed, to close 0.98 down at 2,124.76 in turnover of FFr4.8bn.

Luxury goods group LVMH jumped FFr38, or 3.4 per cent, to FFr1,153 on its FFr12.6bn acquisition of the US-based duty free goods chain DFS. LVMH emphasised the strengths of DFS in the Asia-Pacific region and emerging countries. Dior rose FFr22, or 3.5 per cent, to FFr659 in sympathy.

Pernod, the drinks group, rose FFr2.40 to FFr277 after the French social affairs minister, Mr Jacques Barrot, agreed to cut proposed tax rises on spirits in the 1997 budget to 4.97 per cent from 17.1 per cent.

However, Peugeot was the biggest loser on the day, falling FFr24, or 4.3 per cent, to FFr535 on worries about the medium-term outlook for carmakers now that the government's new car buying incentive has ended.

MILAN was weak, although continuing demand for Eni, the energy giant, and a late recovery in bond futures helped limit the damage. The Comit index lost 1.83 to 605.13, while the real-time Mibtel index finished 94 lower at 9,588.

Eni picked up L27 to L7,261 in turnover of around L200bn, or about 30 per cent of the market's total trade.

Mr Carlo De Benedetti's financial holding company Cofide continued to attract demand and jumped 4.2 per cent. The shares were L26.3 higher at L645.3 in volume that picked up to 4.7m shares from a recent daily average of 1.4m shares. Olivetti, the troubled high-technology group, gave up another L11.3 to L441.

Fiat lost L95 to L3,966, although analysts noted that the fall came in thin trade and without any large sell orders.

Stet, the telecommunications holding company, fell L136 to L5,302 on disappointment that its privatisation might be delayed until after next March, although the treasury insisted that the sell-off would go ahead during 1997.

The banking sector also fared poorly, with Mediobanca down L194 at L7,840 and Credito Italiano L50 weaker at L1,540.

MADRID pushed Telefónica down Pta70, or 2.6 per cent, to Pta2,580 after Tuesday's Goldman Sachs downgrade, noting in passing that the stock had risen by 8.8 per cent in the previous 12 sessions. The general index fell 3.14 to 375.89 and turnover was high at Pta63.7bn.

WARSAW rebounded sharply after a 10-session fall, the Wig index closing 406.9, or 3.2 per cent, higher at 13,280.2. BUDAPEST similarly saw the the Bux index claw back 75.16, or 2.1 per cent, at 3,592.55, having lost 5.7 per cent since mid-October. But PRAGUE stayed gloomy with the RPIX index down 28, or 2.7 per cent, to 1,023 in record turnover.

Written and edited by William Cochrane and Michael Morgan

S Africa ends higher in spite of slide in rand

Johannesburg finished on a firmer footing as institutions went bargain hunting late in the day, although the weak rand, which pierced R4.70 to the dollar at one stage, remained the dominant factor of the session. Analysts noted that gold stocks held up well, in spite of a weaker bullion price which fell nearly $2 an ounce during the day. The overall index ended up 23.8 at 6,891.8, industrials gained 10.3 to 8,124.7 and golds added 2.1 to 1,708.1. De Beers was up 275 cents to R136.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms			Local currency terms		
Market	No. of stocks	Oct 25 1996	% Change over week	% Change on Dec '95	Oct 25 1996	% Change over week	% Change on Dec '95
Latin America	(248)	528.74	-2.8	+12.1			
Argentina	(31)	836.87	-2.8	+4.5	513,225.99	-2.8	+4.4
Brazil	(68)	377.01	-2.8	+23.5	1,448.60	-2.6	+30.5
Chile	(43)	712.25	-1.6	-4.6	1,192.48	-1.3	-2.2
Colombia[1]	(15)	648.55	+1.0	+8.4	1,161.82	+0.6	+10.7
Mexico	(66)	509.53	-4.5	+12.4	1,735.19	-2.3	+15.2
Peru[2]	(21)	214.18	-1.4	+8.8	336.94	-0.6	+21.3
Venezuela[3]	(5)	690.50	+4.1	+106.5	7,480.82	+4.1	+198.6
Asia	(632)	250.86	-0.5	+8.0			
China[4]	(24)	60.83	-1.4	+12.4	63.73	+1.3	+12.1
South Korea[5]	(145)	94.88	-5.7	-24.7	103.26	-5.8	-18.6
Philippines	(35)	282.13	-4.4	+8.7	358.09	+4.4	+8.9
Taiwan, China[6]	(83)	143.92	-0.7	+27.6	148.95	-0.5	+28.8
India[7]	(76)	83.28	+3.8	+3.6	105.25	+3.6	+4.8
Indonesia[8]	(44)	116.64	+0.2	+6.3	147.45	+0.4	+8.2
Malaysia	(123)	330.13	+0.4	+21.7	305.43	+0.4	+20.2
Pakistan[9]	(25)	209.26	-1.8	-13.8	382.27	+6.6	-1.4
Sri Lanka[10]	(5)	98.78	+1.3	-5.1	123.12	+1.4	+1.8
Thailand	(72)	256.41	-0.8	-31.8	259.71	-0.7	-30.9
Euro/Mid East	(238)	139.02	-1.8	-1.8			
Czech Rep	(5)	66.16	-2.5	+10.2	59.17	-3.8	+11.2
Greece	(47)	248.68	-0.3	+3.4	403.98	-1.3	+4.4
Hungary[11]	(8)	173.94	-4.5	+78.7	325.48	-6.0	+101.1
Jordan	(8)	183.64	+1.9	-0.6	274.25	+1.9	-0.5
Poland[12]	(22)	701.39	-8.9	+64.5	1,246.26	-9.3	+88.2
Portugal	(26)	135.23	0.87	+18.8	142.78	-0.3	+20.1
South Africa[13]	(63)	222.94	-2.0	-13.6	212.78	-0.5	+8.5
Turkey[14]	(54)	151.31	-0.5	+44.8	6,817.74	+0.1	+128.1
Zimbabwe[15]	(5)	442.00	+2.8	+60.8	691.80	+1.8	+83.5
Composite	(1118)	294.37	-1.8	+8.7			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15) July 2 1993.

Istanbul put in another solid performance yesterday as investors returned after a four-day holiday, writes Michael Morgan, equities rising 1.5 per cent and heading back towards their October 23 record high. Their most recent rally, which began on September 13 and peaked last week with a tenth consecutive record high, took the composite index up by nearly 30 per cent. Elections in late June resulted in a coalition headed by the pro-Islamic Refah Party and prompted a cautious reappraisal of the outlook for Turkish stocks. Some analysts were concerned that the new government might launch a populist spending spree, provoking an economic crisis and, in turn, fresh elections in which the Islamists would strengthen their position in parliament. That did not happen. Instead, says Mr Stuart Harley at Schroders, the market has been driven up by very strong liquidity, a more bullish view of nine-month corporate results and improving demand from foreign investors taking a longer term, and increasingly benign, view of the political and economic outlook. Yesterday's trade featured speculative demand that took Eregli, the state-owned flat steel producer, up 14.3 per cent, helping to lift the composite index up 1,271.6 to 83,692.58.

Doubts still remain over the passage of this month's budget proposals, while little progress has been made with the promised privatisation programme. Mr Afa Boran at NatWest Markets cautions that the index may have little further to climb in the short term, in the absence of speculative demand for privatisation candidates, as the market responds to a heavy government borrowing requirement up to the end of the year.

Regional bank fears leave Tokyo weak

ASIA PACIFIC

Rumours of a financial crisis at Biwako Bank, a regional bank in western Japan, drove many investors to the sidelines in TOKYO amid growing concern about the general health of financial institutions, *writes Gwen Robinson.*

The Nikkei 225 average dropped 276.41 to 20,681.67 after moving between 20,632.96 and 21,000.90. The Topix index of all first-section stocks declined 9.29 to 1,562.88 and the capital-weighted Nikkei 300 lost 1.65 to 293.08.

Volume eased from 258m shares to an estimated 250m. Declines led advances by 784 to 251 with 188 unchanged.

In London, the ISE/Nikkei 50 index moved up 2.71 to 1,422.48.

There was continued heavy selling of blue chips by foreign investors. Only last week, the market saw the collapse of Nichiei Finance, a non-bank financial institution, which recorded Japan's largest corporate bankruptcy.

At least 48 issues posted their lowest prices for the year. Among them, Oki Electric Industry lost Y20 to Y642 and Mitsubishi Electric Y21 to Y670, mainly on selling by foreign investors. Foreigners also sold high-tech issues, with Toshiba falling Y14 to Y716.

Leading carmakers remained flat after strong gains in recent sessions, with the exception of the minicar and motorcycle-builder Suzuki Motor which dropped Y60 to Y1,190.

By sector, securities houses suffered the largest drop, with Nomura down Y30 to Y1,880 and Nikko Y20 to Y1,100. Banks were also lower on anxieties generated by the Biwako crisis. Industrial Bank of Japan fell Y30 to Y2,290, Sumitomo Trust and Banking Y10 to Y1,280 and Mitsubishi Trust and Banking Y30 to Y1,700.

In the current reporting period for interim earnings, companies recording poor first-half results lost ground, including Hino Motors, which fell Y69 to Y971, and Hitachi Metals, which declined Y52 to Y942.

In Osaka, the OSE average lost 135.14 to 21.3m in volume of 24.6m shares.

BANGKOK's property worries sent it to a fifth straight loss. The SET index ended 18.45, or 2 per cent, lower at 906.11 in turnover of Bt3.7bn.

Investors feared that property companies with cash-flow problems might not be able to pay off their debts, and finance and banking stocks were sold on the theory that some might face similar problems if they were hit by loan defaults from clients in the property sector.

BOMBAY dropped 2.1 per cent after ITC, the tobacco and hotel conglomerate, said that one official and three former employees had been detained by the enforcement directorate for questioning. The BSE 30 share index ended 66.96 lower at 3,172.98.

ITC fell Rs18.25, or 5.7 per cent, to Rs303. Senior ITC officials had been accused of violations of India's Foreign Exchange Regulation Act in connection with some of the group's export deals. ITC also has a long-standing dispute with federal tax authorities over excise payments.

SEOUL fell for the eighth consecutive day as an overhang of loans for margin trading continued to depress sentiment. The composite index ended 9.23 lower at 757.09. After the close, the government announced plans to sell 13.3m shares in Korea Telecom in November which analysts said would be another depressing factor.

HONG KONG liked the overnight gains on Wall Street and the Hang Seng index ended 213.30 higher at 12,405.47, turnover climbing from HK$5.5bn to HK$7.5bn.

SINGAPORE saw some small-scale bargain hunting for cheap blue chips and, in spite of recently depressing news about exports and economic growth, the Straits Times Industrial index closed 22.04 higher at 2,084.02.

SYDNEY rose on a bond market rally following a surge in US Treasuries on Tuesday. The All Ordinaries index closed 13.7 higher at 2,336.7.

Most leading stocks followed the bond market higher with the largest, National Australia Bank, jumping 28 cents to A$13.75.

TAIPEI went into today's market holiday with the weighted index 66.42 higher at 6,426.09 after a late rally and a preceding fall of more than 200 points this month.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	TUESDAY OCTOBER 29 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 28 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	210.77	-0.3	194.06	152.01	165.49	177.17	-0.4	4.30	211.31	194.33	152.60	167.02	177.84	218.14	179.66	180.60
Austria (24)	180.22	-0.5	166.07	130.07	141.60	141.52	-0.4	1.80	181.25	166.66	130.89	143.26	143.15	190.04	166.36	166.84
Belgium (27)	220.93	0.0	203.44	159.35	173.47	169.86	-0.8	3.93	221.03	203.26	159.81	174.69	170.61	221.99	193.45	194.04
Brazil (26)	183.03	1.6	168.54	132.01	143.71	346.37	1.6	1.77	170.84	165.39	126.87	142.14	340.37	196.70	123.97	138.93
Canada (116)	180.53	0.2	166.24	130.21	141.75	172.68	0.3	2.04	180.12	165.64	130.07	142.36	173.33	180.93	135.84	135.84
Denmark (33)	331.71	-0.4	305.45	239.24	260.44	261.96	-0.8	1.76	333.04	306.28	240.51	263.23	264.17	336.30	276.89	282.29
Finland (23)	217.30	-1.3	200.10	156.73	170.62	206.35	-1.3	2.42	220.16	202.49	159.01	174.03	210.37	226.99	171.73	223.98
France (93)	200.71	-0.5	184.82	144.76	157.59	180.80	-1.0	3.02	201.78	185.57	145.72	159.49	182.49	202.03	167.70	189.85
Germany (56)	180.79	-0.5	166.48	130.39	141.95	141.95	-1.1	1.75	181.86	167.05	131.18	143.57	143.57	181.86	155.86	156.86
Hong Kong (56)	456.24	-0.4	420.12	329.06	358.23	452.91	-0.4	3.38	458.08	421.27	330.81	362.06	454.73	470.59	354.87	372.41
Indonesia (27)	203.86	0.2	187.72	147.03	160.07	291.14	0.3	1.73	203.35	187.01	146.85	160.72	290.37	-	-	-
Ireland (16)	312.01	-0.2	287.31	225.04	244.99	270.89	-0.1	3.32	312.73	287.60	225.84	247.16	271.08	313.15	241.27	241.86
Italy (58)	76.35	-1.2	70.30	55.06	59.95	86.50	-1.5	2.40	77.28	71.05	55.79	61.08	87.80	84.53	67.22	70.57
Japan (480)	139.29	0.7	128.26	100.46	109.37	100.46	0.5	0.78	138.40	127.28	99.94	109.39	99.94	194.68	137.75	137.75
Malaysia (107)	577.31	-0.3	531.60	416.38	453.29	569.19	-0.2	1.18	578.90	532.38	418.06	457.55	580.17	587.14	475.75	471.88
Mexico (27)	1162.57	-0.7	1070.53	838.49	912.83	10061.31	-0.2	1.36	1170.46	1076.41	845.25	925.11	10086.76	1326.65	791.99	916.50
Netherland (18)	312.03	-0.9	287.33	225.05	245.00	241.34	-1.5	3.06	314.85	289.55	227.37	248.85	245.06	314.85	251.81	251.81
New Zealand (15)	89.79	-1.4	82.68	64.76	70.50	67.59	-1.4	4.06	91.07	83.76	65.77	71.98	68.56	94.35	75.94	81.20
Norway (35)	264.69	-0.8	243.74	190.91	207.83	229.48	-1.3	2.21	266.77	245.33	192.65	210.85	232.49	266.77	222.24	225.99
Philippines (22)	181.65	0.6	167.45	131.16	142.76	238.16	0.6	0.67	180.14	165.68	130.09	142.38	235.92			
Singapore (43)	380.73	-0.5	350.58	274.59	298.94	247.81	-0.3	1.05	383.03	352.25	276.61	302.74	250.15	465.21	361.94	369.60
South Africa (44)	327.66	-2.1	301.74	236.34	257.29	335.75	-1.7	2.29	334.86	307.95	241.82	264.67	341.43	437.76	314.20	358.88
Spain (37)	188.95	-0.2	173.99	136.28	148.36	182.25	-0.8	3.22	189.37	174.16	136.76	149.68	183.84	190.09	145.25	145.25
Sweden (48)	393.93	-1.8	362.74	284.12	309.31	382.15	-1.9	2.24	400.14	367.99	288.96	316.26	389.74	400.14	294.18	305.05
Switzerland (37)	243.43	-0.4	224.16	175.57	191.14	189.46	-0.6	1.56	244.50	224.85	176.56	193.25	191.00	254.34	219.07	219.07
Thailand (45)	115.03	-1.1	105.93	82.97	90.32	113.81	-1.1	3.01	116.25	106.81	83.95	91.88	115.18	193.95	112.17	157.39
United Kingdom (213)	256.99	-0.6	236.48	185.60	202.06	236.49	-0.7	3.95	261.17	240.19	188.61	206.42	240.16	261.17	229.29	222.98
USA (623)	285.00	0.6	262.43	205.55	223.77	285.00	0.6	2.08	283.35	260.58	204.62	223.95	283.35	286.37	237.50	237.50
Americas (794)	260.94	0.6	240.28	188.20	204.88	219.36	0.6	2.08	259.48	238.62	187.38	205.08	218.12	264.65	216.18	216.18
Europe (718)	223.68	-0.7	205.97	161.33	175.63	192.00	-1.0	2.99	225.29	207.18	162.69	178.07	193.81	225.29	181.44	191.44
Nordic (136)	336.37	-1.3	309.82	241.86	263.33	286.12	-1.7	2.18	339.67	312.37	245.29	268.47	291.08	339.67	261.13	278.09
Pacific Basin (976)	154.97	0.4	142.70	111.77	121.68	112.75	0.3	1.25	154.32	141.92	111.45	121.97	112.40	177.01	148.86	148.86
Euro-Pacific (1694)	183.48	-0.2	168.96	132.34	144.07	142.62	-0.3	2.13	183.79	169.01	132.72	145.26	143.12	190.57	166.51	166.51
North America (739)	279.78	0.6	256.70	201.06	218.88	277.84	0.6	2.09	277.20	254.93	200.16	219.10	276.27	282.57	231.22	231.22
Europe Ex. UK (505)	199.92	-0.7	184.09	144.19	156.97	164.93	-1.1	2.42	201.22	185.05	145.31	159.04	166.85	201.22	170.51	170.51
Pacific Ex. Japan (396)	293.54	-0.4	270.30	211.71	230.48	253.43	-0.4	2.93	294.81	270.93	212.75	232.85	254.44	298.79	243.59	252.75
World Ex. US (1609)	185.38	-0.2	170.71	133.71	145.57	147.89	-0.3	2.12	185.70	170.79	134.11	146.78	148.18	191.55	167.36	167.36
World Ex. UK (2219)	212.50	0.3	195.68	153.27	166.85	182.07	0.1	1.91	211.94	194.91	153.05	167.51	181.79	216.41	185.61	185.81
World Ex. Japan (1952)	257.51	0.0	237.12	185.72	202.18	242.47	-0.1	2.44	257.42	236.73	185.89	203.46	242.59	260.37	217.26	217.26
The World Index (2432)	216.49	0.2	199.35	156.14	169.99	187.18	0.1	2.11	216.15	198.78	156.10	170.84	187.04	220.11	186.87	186.87